

ORDINANCE NO. 20101118-074

AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF "CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010A" AND "CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2010B (DIRECT SUBSIDY-BUILD AMERICA BONDS)" AND RELATED DOCUMENTS.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

SECTION 1: DEFINITIONS AND FINDINGS. The following terms have the meanings set forth below, unless the text specifically states otherwise:

"2010A Refunded Notes" means \$75,000,000 in principal amount of the Series A Notes being refunded by the Series 2010A Bonds.

"2010B Refunded Notes" means \$100,000,000 in principal amount of the Series A Notes being refunded by the Series 2010B Bonds and more particularly described in Exhibit A.

"Bonds" means collectively the Series 2010A Bonds and the Series 2010B Bonds.

"Business Day" means a day other than a Sunday, Saturday, a legal holiday, or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located is authorized by law or executive order to close.

"Closing Date" means the date on which the Bonds are first authenticated and delivered to the Underwriters against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"Holders" means the registered owners or holders of the Bonds.

"Master Ordinance" means Ordinance No. 000608-56A passed by the city council on June 8, 2000.

“Nineteenth Supplement” means Ordinance No. 20101118-074 authorizing the issuance of the Bonds and passed by the City Council on November 18, 2010.

“Paying Agent/Registrar” means the financial institution specified in Section 4 of the Nineteenth Supplement.

“Previously Issued Parity Water/Wastewater Obligations” mean the outstanding (1) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001A”, (2) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001B”, (3) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2001C”, (4) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2002A”, (5) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2003”, (6) “City of Austin, Texas, Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2004”, together with certain regularly scheduled payments under the Interest Rate Swap Agreement, the Liquidity Agreement and the Insurance Obligation (as these terms are defined in Ordinance No. 040812-43), (7) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2004A”, (8) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2005”, (9) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2005A”, (10) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2006”, (11) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2006A”, (12) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2007”, (13) “City of Austin, Texas, Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2008”, together with certain regularly scheduled payments under the Series 2008 Interest Rate Management Agreement and the Series 2008 Liquidity Agreement (as these terms are defined in Ordinance No. 20080306-053), (14) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2009”, (15) “City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2009A”, and (16) “City of Austin, Texas, Water and Wastewater System Revenue Bonds, Series 2010”.

“Prior Supplements” mean Ordinances Nos. 010419-77, 011129-65, 020718-15, 030206-35, 040617-45, 040812-43, 040930-83, 050519-37, 051020-051, 20051117-060, 20061116-051, 20071108-081, 20080306-052, 20080306-053, 20081211-77, 20091105-051 and 20091217-004 authorizing the issuance of the Previously Issued Parity Water/Wastewater Obligations.

“Refunded Notes” means \$175,000,000 in principal amount of the Series A Notes being refunded by the Bonds.

“Regulations” means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 54A, 54AA, 103, 141 through 150, and 6431 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Series 2010A Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

“Security Register” shall have the meaning given in Section 4 of the Nineteenth Supplement.

“Series 2010A Bonds” shall mean the “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010A” authorized for issuance by the Nineteenth Supplement.

“Series 2010B Bonds” shall mean the “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2010B (Direct Subsidy-Build America Bonds)” authorized for issuance by the Nineteenth Supplement.

“Series A Notes” means the City of Austin, Texas Combined Utility System Commercial Paper Notes, Series A, up to an aggregate principal amount of \$350,000,000 to finance the costs of additions, improvements and extensions to the City’s water and wastewater system and the City’s electric light and power system.

The terms used in the Nineteenth Supplement and not otherwise defined have the meanings given in the Master Ordinance or the Prior Supplements.

The City has previously authorized the issuance of the Series A Notes.

The best interest of the City is served by issuing the Bonds to refund short term obligations into long term obligations and the manner in which the refunding is executed does not make it practicable to make the determination required by Texas Government Code, Section 1207.008(a)(2).

The Refunded Notes should be refunded and refinanced into long term obligations at this time to enable the City’s Water and Wastewater Department to continue utilizing its allocated share of the City’s commercial paper program.

The Bonds can and shall be on a parity with the outstanding “Parity Water/Wastewater Obligations” issued in accordance with and under the terms and provisions of the Master Ordinance and the Prior Supplements.

The Series 2010B Bonds are issued as and the City will irrevocably elect to apply (i) section 54AA of the Code to each of the Series 2010B Bonds as a “build America bond” and (ii) subsection 54AA(g) of the Code to each of the Series 2010B Bonds as a “qualified bond”, and, accordingly, the Bonds herein authorized shall be issued as two separate and distinct series of bonds .

SECTION 2: AUTHORIZATION – DESIGNATION – PRINCIPAL AMOUNT - PURPOSE. Revenue bonds of the City shall be and are hereby authorized to be issued (a) in the aggregate principal amount of SEVENTY-SIX MILLION EIGHT HUNDRED FIFTY-FIVE THOUSAND DOLLARS (\$76,855,000) to be designated and bear the title “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010A”, for the purpose of refinancing and refunding the 2010A Refunded Notes and paying costs of issuance and (b) in the aggregate principal amount of ONE HUNDRED MILLION NINE HUNDRED SEVENTY THOUSAND DOLLARS (\$100,970,000) to be designated and bear the title “CITY OF AUSTIN, TEXAS, WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BONDS, TAXABLE SERIES 2010B (DIRECT SUBSIDY-BUILD AMERICA BONDS)”, for the purpose of refinancing and refunding the 2010B Refunded Notes and paying costs of issuance, in conformity with the Constitution and laws of the State of Texas, including Texas Government Code, Chapters 1207 and 1371.

SECTION 3: FULLY REGISTERED OBLIGATIONS - AUTHORIZED DENOMINATIONS – STATED MATURITIES - DATE. The Bonds shall be issued as fully registered obligations, without coupons, shall be dated November 1, 2010 (the “Bond Date”) and, other than the single fully registered Initial Bond referenced in Section 9 of this Ordinance, shall be in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity), shall be numbered consecutively from One (1) upward and shall become due and payable on November 15 and in principal amounts (the “Stated Maturities”) in accordance with the following schedule:

Series 2010A Bonds:

Stated Maturity	Principal Amount (\$)	Interest Rate(s)	Stated Maturity	Principal Amount (\$)	Interest Rate(s)
2013	1,320,000	4.000%	2028	2,725,000	5.000%
2014	1,375,000	4.000%	2029	2,865,000	5.000%
2015	1,430,000	4.000%	2030	3,010,000	5.000%
2016	1,495,000	5.000%	****	*****	*****
2017	1,570,000	5.000%	2035	17,545,000	5.000%
2018	1,655,000	5.000%	****	*****	*****
2019	1,740,000	5.000%	2040	22,605,000	5.125%
2020	1,825,000	5.000%			
2021	1,920,000	5.000%			
2022	2,020,000	5.000%			
2023	2,125,000	5.000%			
2024	2,230,000	5.000%			
2025	2,345,000	5.000%			
2026	2,465,000	5.000%			
2027	2,590,000	5.000%			

Series 2010B Bonds:

Stated Maturity	Principal Amount (\$)	Interest Rate(s)	Stated Maturity	Principal Amount (\$)	Interest Rate(s)
2015	2,560,000	2.494%	2023	3,135,000	4.849%
2016	2,605,000	2.911%	2024	3,240,000	5.049%
2017	2,660,000	3.361%	2025	3,350,000	5.249%
2018	2,720,000	3.899%	****	*****	*****
2019	2,795,000	4.099%	2030	18,740,000	5.768%
2020	2,870,000	4.249%	****	*****	*****
2021	2,955,000	4.449%	2040	50,300,000	6.018%
2022	3,040,000	4.649%			

The Bonds shall bear interest on the unpaid principal amounts from the Bond Date or the most recent interest payment date to which interest has been paid or provided for, at the rate(s) per annum shown in the above schedule (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Bonds shall be payable on May 15 and November 15 in each year, commencing May 15, 2011, until maturity or prior redemption.

SECTION 4: TERMS OF PAYMENT - PAYING AGENT/REGISTRAR. The principal of, premium, if any, and the interest on the Bonds, due and payable by reason of maturity, redemption or otherwise, shall be payable only to the Holders appearing on the respective registration and transfer books maintained by the Paying Agent/Registrar and the payment thereof shall be in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, and shall be without exchange or collection charges to the Holders.

The selection and appointment of Bank of Texas, N.A., Houston, Texas, to serve as Paying Agent/Registrar for the Bonds is approved and confirmed. Separate books and records relating to the registration, payment, transfer and exchange of the Series 2010A Bonds and the Series 2010B Bonds (the "Security Register") shall at all times be kept and maintained on behalf of the City by the Paying Agent/Registrar as provided in the Nineteenth Supplement and in accordance with the terms and provisions of a separate "Paying Agent/Registrar Agreement", substantially in the form attached to this Ordinance as **Exhibit B** (with respect to the Series 2010A Bonds) and **Exhibit C** (with respect to the Series 2010B Bonds), and the reasonable rules and regulations as the Paying Agent/Registrar and the City may prescribe. The Mayor or Mayor Pro Tem and City Clerk or Deputy City Clerk are authorized to execute and deliver separate Paying Agent/Registrar Agreements for the Series 2010A Bonds and the Series 2010B Bonds. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are paid and discharged, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in the capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Series 2010A Bonds or the Series 2010B Bonds, the City agrees to promptly cause a written notice to be sent to each Holder by United States Mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of and premium, if any, on the Bonds shall be payable at the Stated Maturities or upon prior redemption, only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its designated offices in Tulsa, Oklahoma (the "Designated Payment/Transfer Office"). Interest on the Bonds shall be paid to the Holders whose names appear in the Security Register at the close of business on the Record Date (the last business day of the month next preceding each interest payment date), and such interest shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the

Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of a non-payment of interest on one or more maturities on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment for such maturity or maturities (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder of such maturity or maturities appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 5: REDEMPTION. (a) Optional Redemption. (i) The Series 2010A Bonds having Stated Maturities on and after November 15, 2021, shall be subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/ Registrar), on November 15, 2020 or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

(ii) The Series 2010B Bonds shall be subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple of \$5,000 (and if within a Stated Maturity, selected at random and by lot by the Paying Agent/Registrar), on any date at the Make-Whole Redemption Price.

"Make-Whole Redemption Price" means an amount equal to the greater of: (1) the issue price (but not less than 100%) of the principal amount of the Series 2010B Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series

2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B Bonds are to be redeemed, discounted to the date on which the Series 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus thirty-five (35) basis points, plus accrued interest on the Series 2010B Bonds to be redeemed to the redemption date.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2010B Bond, the yield to maturity as of the redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two (2) Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2010B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

(iii) The Series 2010B Bonds shall be subject to redemption prior to their Stated Maturity, at the option of the City and upon the occurrence of an Extraordinary Event, on any date, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity, selected at random and by lot by the Paying Agent/Registrar) at the Extraordinary Redemption Price.

“Extraordinary Event” means the occurrence of a change to sections 54AA or 6431 (as such sections were added by Section 1531 of the Recovery Act, pertaining to Build America Bonds) of the Code, or if there is any guidance published by the Internal Revenue Service (the “IRS”) or the United States Department of the Treasury with respect to such sections or any other determination by the IRS or the United States Department of the Treasury, which determination is not the result of an act or omission by the City to satisfy the requirements to receive the subsidy payments with respect to the Series 2010B Bonds from the United States Department of the Treasury (the “Subsidy Payments”), pursuant to which the City’s Subsidy Payment is reduced or eliminated.

“Extraordinary Redemption Price” means an amount equal to the greater of: (1) the issue price (but not less than 100%) of the principal amount of the Series

2010B Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2010B Bonds to be redeemed to the maturity date of such Series 2010B Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B Bonds are to be redeemed, discounted to the date on which the Series 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus one hundred (100) basis points, plus accrued interest on the Series 2010B Bonds to be redeemed to the redemption date.

At least forty-five days prior to a redemption date for the Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the City shall notify the Paying Agent/Registrar of the decision to redeem Bonds, the principal amount of each Stated Maturity to be redeemed, and the date of redemption. The decision of the City to exercise the right to redeem Bonds shall be entered in the minutes of the governing body of the City.

(b) Mandatory Redemption. (1) The Series 2010A Bonds having Stated Maturities of November 15, 2035 and November 15, 2040 (the "Series 2010A Term Bonds") shall be subject to mandatory redemption in part prior to maturity at the redemption price of par and accrued interest to the date of redemption on the respective dates and in principal amounts as follows:

Series 2010A Term Bonds due November 15, 2035

<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 2031	\$3,165,000
November 15, 2032	\$3,330,000
November 15, 2033	\$3,500,000
November 15, 2034	\$3,680,000
November 15, 2035	\$3,870,000 (maturity)

Series 2010A Term Bonds due November 15, 2040

<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 2036	\$4,070,000
November 15, 2037	\$4,285,000
November 15, 2038	\$4,510,000
November 15, 2039	\$4,745,000
November 15, 2040	\$4,995,000 (maturity)

Approximately forty-five days prior to each mandatory redemption date for the Series 2010A Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Series 2010A Term Bonds within the applicable Stated Maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund. Any Series 2010A Term Bond not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of the Series 2010A Term Bonds for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Series 2010A Term Bonds of like Stated Maturity which, at least fifty days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of the Series 2010A Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth in paragraph (a) of this Section and not theretofore credited against a mandatory redemption requirement.

(2) The Series 2010B Bonds having Stated Maturities of November 15, 2030 and November 15, 2040 (the "Series 2010B Term Bonds") shall be subject to mandatory redemption in part prior to maturity at the redemption price of par and accrued interest to the date of redemption on the respective dates and in principal amounts as follows:

Series 2010B Term Bonds due November 15, 2030

<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 2026	\$3,470,000
November 15, 2027	\$3,605,000
November 15, 2028	\$3,745,000
November 15, 2029	\$3,885,000
November 15, 2030	\$4,035,000 (maturity)

Series 2010B Term Bonds due November 15, 2040

<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 2031	\$4,190,000
November 15, 2032	\$4,360,000
November 15, 2033	\$4,535,000
November 15, 2034	\$4,715,000
November 15, 2035	\$4,900,000

November 15, 2036	\$5,100,000
November 15, 2037	\$5,300,000
November 15, 2038	\$5,510,000
November 15, 2039	\$5,730,000
November 15, 2040	\$5,960,000 (maturity)

Approximately forty-five days prior to each mandatory redemption date for the Series 2010B Term Bonds, the Paying Agent/Registrar shall select pro rata (if administratively permitted by the Paying Agent/Registrar or the administrator of the securities depository system in which such mandatorily redeemed Series 2010B Bonds are then enrolled) or (if pro rata selection methodology is administratively unavailable) by lot or other customary method, the numbers of the Series 2010B Term Bonds within the applicable Stated Maturity to be redeemed on the next following November 15 from moneys set aside for that purpose in the Debt Service Fund. Any Series 2010B Term Bond not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of the Series 2010B Term Bonds for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Series 2010B Term Bonds of like Stated Maturity which, at least fifty days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of the Series 2010B Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth in paragraph (a) of this Section and not theretofore credited against a mandatory redemption requirement.

(c) Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same series and same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall treat such Bonds as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bonds by \$5,000 and shall select the Bonds to be redeemed within such Stated Maturity by lot.

(d) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Bonds, a notice of redemption shall be sent by United States Mail, first class postage prepaid, in the name of the City and at the City's expense, to each Holder of a Bond to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on

the business day next preceding the date of mailing the notice, and any notice of redemption so mailed shall be conclusively presumed to have been given irrespective of whether received by the Holder.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the series of Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount of the Bonds to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Bond is subject by its terms to prior redemption and has been called for redemption and notice of redemption thereof has been given or waived as provided in the Nineteenth Supplement, such Bond (or the principal amount of the Bond to be redeemed) shall become due and payable, and interest shall cease to accrue from and after the redemption date therefor, provided moneys sufficient for the payment of the Bonds (or of the principal amount of the Bond to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

(e) With respect to any optional redemption of the Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal and premium, if any, and interest on the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Paying Agent/Registrar on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

SECTION 6: REGISTRATION-TRANSFER-EXCHANGE OF BONDS-PREDECESSOR BONDS. The Paying Agent/Registrar shall obtain, record, and maintain in the appropriate Security Register the name and address of each registered owner of the Bonds issued under the provisions of the Nineteenth Supplement. Any Bond may, in accordance with its terms and the terms of this Ordinance, be transferred or exchanged for Bonds of other authorized

denominations upon the Security Register by the Holder, in person or by the authorized agent of such person, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange executed by the Holder or by the authorized agent of such person, in form satisfactory to the Paying Agent/ Registrar.

Upon surrender for transfer of any Bond (other than the Initial Bond(s) authorized in Section 9 of the Nineteenth Supplement) at the Designated Payment/Transfer Office of the Paying Agent/Registrar, the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Bonds executed on behalf of, and furnished by, the City of the same series, of authorized denominations and having the same Stated Maturity and of a like aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds (other than the Initial Bond(s) authorized in Section 9 of the Nineteenth Supplement) may be exchanged for other Bonds of like series, of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the Designated Payment/Transfer Office of the Paying Agent/ Registrar. Whenever any Bonds are surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Bonds, executed on behalf of, and furnished by, the City, to the Holder requesting the exchange.

All Bonds issued upon any transfer or exchange of Bonds shall be delivered at the Designated Payment/Transfer Office of the Paying Agent/Registrar, or sent by United States Mail, first class postage prepaid, to the Holder and, upon the delivery of such Bonds, the same shall be valid obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under the Nineteenth Supplement, as the Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Bonds under this Section shall be made without expense or service charge to the Holder, except as otherwise provided in the Nineteenth Supplement, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Bonds canceled by reason of an exchange or transfer under the provisions of this Ordinance are defined as "Predecessor Bonds," evidencing all or a portion, as

the case may be, of the same obligation to pay evidenced by the Bond or Bonds registered and delivered in the exchange or transfer. Additionally, the term "Predecessor Bonds" shall include any mutilated, lost, destroyed, or stolen Bond for which a replacement Bond has been issued, registered and delivered in lieu thereof under Section 20 of the Nineteenth Supplement and such new replacement Bond shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption of such Bond; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond called for redemption in part.

SECTION 7: BOOK-ENTRY-ONLY TRANSFERS AND TRANS-ACTIONS. Notwithstanding the provisions contained in Sections 4, 5 and 6 of the Nineteenth Supplement relating to the payment, and transfer/exchange of the Bonds, the City hereby approves and authorizes the use of the "Book-Entry-Only" securities clearance, settlement and transfer system provided by The Depository Trust Company ("DTC"), a limited purpose trust company organized under the laws of the State of New York, in accordance with the operational arrangements referenced in the Blanket Issuer Letter of Representations, by and between the City and DTC (the "Depository Agreement").

Pursuant to the Depository Agreement and the rules of DTC, the Bonds shall be deposited with DTC, who shall hold said Bonds for its participants (the "DTC Participants"). While the Bonds are held by DTC under the Depository Agreement, the Holder of the Bonds on the Security Register for all purposes, including payment and notices, shall be Cede & Co., as nominee of DTC, notwithstanding the ownership of each actual purchaser or owner of each Bond (the "Beneficial Owners") being recorded in the records of DTC and DTC Participants.

In the event DTC determines to discontinue serving as securities depository for the Bonds or otherwise ceases to provide book-entry clearance and settlement of securities transactions in general, or the City determines that DTC is incapable of properly discharging its duties as securities depository for the Bonds, the City covenants and agrees with the Holders of the Bonds to cause Bonds to be printed in definitive form and provide for the Bond certificates to be issued and delivered to DTC Participants and Beneficial Owners, as the case may be. Thereafter, the Bonds in definitive form shall be assigned, transferred, and exchanged on the

Security Register maintained by the Paying Agent/Registrar and payment of such Bonds shall be made in accordance with the provisions of Sections 4, 5 and 6 of the Nineteenth Supplement.

SECTION 8: EXECUTION - REGISTRATION. The Bonds of each series shall be executed on behalf of the City by the Mayor or Mayor Pro Tem under its seal reproduced or impressed thereon and countersigned by the City Clerk or Deputy Clerk. The signature of these officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who are or were the proper officers of the City on the Bond Date shall be deemed to be executed on behalf of the City, notwithstanding that the individuals or either of them shall have ceased to hold their offices at the time of delivery of the Bonds to the initial purchaser(s) and with respect to Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in Texas Government Code, Chapter 1201.

No Bond shall be entitled to any right or benefit under the Nineteenth Supplement, or be valid or obligatory for any purpose, unless there appears on the Bond either a certificate of registration substantially in the form provided in Section 10(c), manually executed by the Comptroller of Public Accounts of the State of Texas, or his or her authorized agent, or a certificate of registration substantially in the form provided in Section 10(d), manually executed by an authorized officer, employee, or representative of the Paying Agent/Registrar, and either such certificate upon any Bond signed shall be conclusive evidence, and the only evidence, that the Bond has been certified, registered and delivered.

SECTION 9: INITIAL BOND(S). The Bonds of each series shall be initially issued either (i) as a single fully registered bond in the total principal amount referenced in Section 2 of the Nineteenth Supplement with principal installments to become due and payable as provided in Section 3 and numbered T-1, or (ii) as multiple fully registered bonds, being one bond for each stated maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (the "Initial Bond(s)"). In either case, the Initial Bond(s) of each series shall be registered in the name of the initial purchaser(s) or the purchaser(s)' designee. The Initial Bond(s) shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser(s). Any time after the delivery of the Initial Bond(s), the Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the purchaser(s)' designee, shall cancel the Initial Bond(s) delivered hereunder and exchange therefor definitive Bonds of authorized

denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses the holders identified; all pursuant to and in accordance with the written instructions from the initial purchaser(s), or the purchaser(s)' designee, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 10: FORMS. (a) Forms Generally. The Bonds of each series, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of Registration, and the form of Assignment to be printed on each of the Bonds, shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by the Nineteenth Supplement and may have letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and legends and endorsements (including insurance legends in the event the Bonds, or any of their maturities, are purchased with insurance and any reproduction of an opinion of counsel) as may, consistently with the Nineteenth Supplement, be established by the City or determined by the officers executing such Bonds as evidenced by their execution. Any portion of the text of any Bonds may be set forth on the reverse of such Bonds, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds and the Initial Bond(s) of each series shall be printed, lithographed, or engraved, typewritten, photocopied or otherwise reproduced in any other similar manner, all as determined by the officers executing such Bonds as evidenced by their execution.

(b) Form of Definitive Bond.

Series 2010A Bonds

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BOND,
SERIES 2010A

Bond Date: November 1, 2010 Interest Rate: _____ Stated Maturity: _____ CUSIP NO: _____

Registered Owner:

Principal Amount: _____ DOLLARS

The City of Austin (the "City"), a body corporate and municipal corporation in the Counties of Travis, Williamson and Hays, State of Texas, for value received, hereby promises to pay to the registered owner named above, or the registered assigns thereof (the "Registered Owner"), solely from the revenues identified in this Bond, on the Stated Maturity date specified above the Principal Amount stated above (or so much of such principal amount as shall not have been paid upon prior redemption), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid Principal Amount hereof from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the Bond Date) at the per annum rate of interest specified above; such interest being payable on May 15, 2011 and on each November 15 and May 15 thereafter until maturity or prior redemption. Principal of this Bond is payable at its Stated Maturity or redemption to the Registered Owner, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor; provided, however, while this Bond is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount of this Bond may be accomplished without presentation and surrender of this Bond. Interest is payable to the Registered Owner of this Bond (or one or more Predecessor Bonds, as defined in the Nineteenth Supplement) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/ Registrar is located are authorized

by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$76,855,000 (the “Bonds”) for the purpose of refinancing and refunding the 2010A Refunded Notes (identified and defined in the Nineteenth Supplement), in conformity with the Constitution and laws of the State of Texas, including Texas Government Code, Chapters 1207 and 1371, and pursuant to a Master Ordinance and Nineteenth Supplement adopted by the City Council of the City (collectively referred to as the “Ordinances”).

The Bonds maturing on the dates identified below (the “Term Bonds”) are subject to mandatory redemption prior to maturity with funds on deposit in the Debt Service Fund established and maintained for the payment of the Bonds in the Nineteenth Supplement, and shall be redeemed in part prior to maturity at the price of par and accrued interest thereon to the date of redemption, and without premium, on the dates and in the principal amounts as follows:

Series 2010A Term Bonds due November 15, 2035

<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 2031	\$3,165,000
November 15, 2032	\$3,330,000
November 15, 2033	\$3,500,000
November 15, 2034	\$3,680,000
November 15, 2035	\$3,870,000 (maturity)

Series 2010A Term Bonds due November 15, 2040

<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 2036	\$4,070,000
November 15, 2037	\$4,285,000
November 15, 2038	\$4,510,000
November 15, 2039	\$4,745,000
November 15, 2040	\$4,995,000 (maturity)

The particular Term Bonds of a stated maturity to be redeemed on each redemption date shall be chosen by lot by the Paying Agent/Registrar; provided, however, that the principal amount of Term Bonds for a stated maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Bonds of like stated maturity which, at least fifty days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions appearing below and not theretofore credited against a mandatory redemption requirement.

The Bonds maturing on and after November 15, 2021, may be redeemed prior to their Stated Maturities, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity by lot by the Paying Agent/Registrar), on November 15, 2020 or on any date thereafter at the redemption price of par plus accrued interest thereon to the redemption date.

Not less than thirty days prior to a redemption date, the City shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of each Bond to be redeemed at the address shown on the Security Register and subject to the terms and provisions relating thereto contained in the Ordinances. If a Bond (or any portion of its principal sum) shall have been called for redemption and notice of such redemption given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

In the event a portion of the principal amount of a Bond is to be redeemed and the registered owner is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Bond or Bonds of like maturity and interest rate in any authorized denominations provided by the Ordinances for the then unredeemed balance of the principal sum thereof will be

issued to the registered owner, without charge. If a Bond is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the registered owner within forty-five days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond redeemed in part.

With respect to any optional redemption of the Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal and premium, if any, and interest on the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Paying Agent/Registrar on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

The Bonds are special obligations of the City payable solely from and, together with the Prior Subordinate Lien Obligations, the Previously Issued Separate Lien Obligations, Previously Issued Parity Water/Wastewater Obligations currently Outstanding and the Series 2010B Bonds, equally and ratably secured by a parity lien on and pledge of, the Net Revenues of the Water/Wastewater System in the manner provided in the Ordinances. Additionally, the Bonds, the Series 2010B Bonds and Previously Issued Parity Water/Wastewater Obligations referenced above shall be equally and ratably secured by a parity lien on the funds, if any, deposited to the credit of the Debt Service Fund and the Reserve Fund in accordance with the terms of the Ordinances. The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or the Water/Wastewater System, except with respect to the Net Revenues. The Holder of this Bond shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

Subject to satisfying the terms and conditions prescribed therefor, the City has reserved the right to issue additional revenue obligations payable from and equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Water/Wastewater System, in the same manner and to the same extent as the Bonds.

Reference is hereby made to the Ordinances, copies of which are on file with the Paying Agent/Registrar, and to all of the provisions of which the Holder by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the properties constituting the Water/Wastewater System; the Net Revenues pledged to the payment of the principal of and interest on the Bonds; the nature and extent and manner of enforcement of the lien and pledge securing the payment of the Bonds; the terms and conditions for the issuance of additional revenue obligations; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Ordinances may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the liens, pledges, charges and covenants made therein may be discharged at or prior to the maturity of this Bond, and this Bond deemed to be no longer Outstanding thereunder; and for the other terms and provisions contained therein. Capitalized terms used in this Bond have the same meanings assigned in the Ordinances.

This Bond, subject to certain limitations contained in the Ordinances, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar executed by, the Registered Owner, or the authorized agent of the Registered Owner. When a transfer on the Security Register occurs, one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, may treat the Registered Owner of this Bond whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest on this Bond, (ii) on the date of surrender of this Bond as the owner entitled to payment of principal of this Bond at its Stated Maturity, or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of non-payment of interest on a scheduled payment date and for thirty days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past

due interest (which shall be fifteen days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, recited, represented and covenanted that the City is a organized and legally existing municipal corporation under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Bonds is authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid obligations of the City have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Ordinances; that the Bonds do not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a pledge of the Net Revenues of the Water/Wastewater System as aforesated. In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Ordinances shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be executed under the official seal of the City as of the Bond Date.

CITY OF AUSTIN, TEXAS

Mayor

COUNTERSIGNED:

City Clerk

(SEAL)

Series 2010B Bonds

REGISTERED
NO. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BOND,
TAXABLE SERIES 2010B
(DIRECT SUBSIDY-BUILD AMERICA BOND)

Bond Date:	Interest Rate:	Stated Maturity:	CUSIP NO:
November 1, 2010	_____	_____	_____

Registered Owner:

Principal Amount: _____ DOLLARS

The City of Austin (the "City"), a body corporate and municipal corporation in the Counties of Travis, Williamson and Hays, State of Texas, for value received, hereby promises to pay to the registered owner named above, or the registered assigns thereof (the "Registered Owner"), solely from the revenues identified in this Bond, on the Stated Maturity date specified above the Principal Amount stated above (or so much of such Principal Amount as shall not have been paid upon prior redemption), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid Principal Amount hereof from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the Bond Date) at the per annum rate of interest specified above; such interest being payable on May 15, 2011 and on each November 15 and May 15 thereafter until maturity or prior redemption. Principal of this Bond is payable at its Stated Maturity or redemption to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor; provided, however, while this Bond is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount of this

Bond may be accomplished without presentation and surrender of this Bond. Interest is payable to the Registered Owner of this Bond (or one or more Predecessor Bonds, as defined in the Nineteenth Supplement) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/ Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$100,970,000 (the “Bonds”) for the purpose of refinancing and refunding the 2010B Refunded Notes (identified and defined in the Nineteenth Supplement), in conformity with the Constitution and laws of the State of Texas, including Texas Government Code, Chapters 1207 and 1371, and pursuant to a Master Ordinance and Nineteenth Supplement adopted by the City Council of the City (collectively referred to as the “Ordinances”).

The Bonds maturing on the dates identified below (the “Term Bonds”) are subject to mandatory redemption prior to maturity with funds on deposit in the Debt Service Fund established and maintained for the payment of the Bonds in the Nineteenth Supplement, and shall be redeemed in part prior to maturity at the price of par and accrued interest thereon to the date of redemption, and without premium, on the dates and in the principal amounts as follows:

Series 2010B Term Bonds due November 15, 2030	
Redemption Date	Principal Amount

November 15, 2026	\$3,470,000
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November 15, 2027	\$3,605,000
November 15, 2028	\$3,745,000
November 15, 2029	\$3,885,000
November 15, 2030	\$4,035,000 (maturity)

Series 2010B Term Bonds due November 15, 2040

<u>Redemption Date</u>	<u>Principal Amount</u>
November 15, 2031	\$4,190,000
November 15, 2032	\$4,360,000
November 15, 2033	\$4,535,000
November 15, 2034	\$4,715,000
November 15, 2035	\$4,900,000
November 15, 2036	\$5,100,000
November 15, 2037	\$5,300,000
November 15, 2038	\$5,510,000
November 15, 2039	\$5,730,000
November 15, 2040	\$5,960,000 (maturity)

The particular Term Bonds of a stated maturity to be redeemed on each redemption date shall be selected by the Paying Agent/Registrar pro rata (if administratively permitted by the Paying Agent/Registrar or the administrator of the securities depository system in which such mandatorily redeemed Series 2010B Bonds are then enrolled) or (if pro rata selection methodology is administratively unavailable) by lot or other customary method; provided, however, that the principal amount of Term Bonds for a stated maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of Term Bonds of like stated maturity which, at least fifty days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions appearing below and not theretofore credited against a mandatory redemption requirement.

The Series 2010B Bonds are subject to redemption prior to maturity, at the option of the City, in whole or in part in principal amounts of \$5,000 or any integral multiple of \$5,000 (and if within a Stated Maturity, selected at random and by lot by the Paying Agent/Registrar), on any date at the Make-Whole Redemption Price.

“Make-Whole Redemption Price” means an amount equal to the greater of: (1) the issue price (but not less than 100%) of the principal amount of the Series 2010B Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B Bonds are to be redeemed, discounted to the date on which the Series 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus thirty-five (35) basis points, plus accrued interest on the Series 2010B Bonds to be redeemed to the redemption date.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2010B Bond, the yield to maturity as of the redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two (2) Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2010B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The Series 2010B Bonds are subject to redemption prior to their Stated Maturity, at the option of the City and upon the occurrence of an Extraordinary Event, on any date, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity, selected at random and by lot by the Paying Agent/Registrar) at the Extraordinary Redemption Price.

“Extraordinary Event” means the occurrence of a change to sections 54AA or 6431 (as such sections were added by Section 1531 of the Recovery Act, pertaining to Build America Bonds) of the Internal Revenue Code of 1986, as amended (the “Code”), or if there is any guidance published by the Internal Revenue Service (the “IRS”) or the United States Department of the Treasury with respect to such sections or any other determination by the IRS or the United States Department of the Treasury, which determination is not the result of an act or omission by the City to satisfy the requirements to receive the Subsidy Payments from the United States Department of the Treasury, pursuant to which the City’s Subsidy Payment is reduced or eliminated.

“Extraordinary Redemption Price” means an amount equal to the greater of: (1) the issue price (but not less than 100%) of the principal amount of the Series 2010B Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2010B Bonds to be redeemed to the maturity date of such Series 2010B Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010B Bonds are to be redeemed, discounted to the date on which the Series 2010B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus one hundred (100) basis points, plus accrued interest on the Series 2010B Bonds to be redeemed to the redemption date.

At least thirty days prior to the date fixed for any redemption of Bonds, the City shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of each Bond to be redeemed at the address shown on the Security Register and subject to the terms and provisions contained in the Ordinances. If a Bond (or any portion of its principal sum) shall have been called for redemption and notice of such redemption given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after said redemption date, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

If a portion of the principal amount of a Bond is to be redeemed and the registered owner is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Bond or Bonds of like maturity and interest rate in any authorized denominations provided by the Ordinances for the then unredeemed balance of the principal sum of such Bond or Bonds will be issued to the registered owner, without charge. If a Bond is selected for redemption, in whole or in part, the City and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the registered owner within 45 days of such redemption date; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond redeemed in part.

With respect to any optional redemption of the Bonds, unless the Paying Agent/Registrar has received funds sufficient to pay the principal and premium, if

any, and interest on the Bonds to be redeemed before giving of a notice of redemption, the notice may state the City may condition redemption on the receipt of such funds by the Paying Agent/Registrar on or before the date fixed for the redemption, or on the satisfaction of any other prerequisites set forth in the notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient funds are not received, the notice shall be of no force and effect, the City shall not redeem the Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, that the Bonds have not been redeemed.

The Bonds are special obligations of the City payable solely from and, together with the Prior Subordinate Lien Obligations, the Previously Issued Separate Lien Obligations, Previously Issued Parity Water/Wastewater Obligations currently Outstanding and the Series 2010A Bonds, equally and ratably secured by a parity lien on and pledge of, the Net Revenues of the Water/Wastewater System in the manner provided in the Ordinances. Additionally, the Bonds, the Series 2010A Bonds and Previously Issued Parity Water/Wastewater Obligations referenced above shall be equally and ratably secured by a parity lien on the funds, if any, deposited to the credit of the Debt Service Fund and the Reserve Fund in accordance with the terms of the Ordinances. The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or the Water/Wastewater System, except with respect to the Net Revenues. The Holder of this Bond shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

Subject to satisfying the terms and conditions prescribed therefor, the City has reserved the right to issue additional revenue obligations payable from and equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Water/Wastewater System, in the same manner and to the same extent as the Bonds.

Reference is hereby made to the Ordinances, copies of which are on file with the Paying Agent/Registrar, and to all of the provisions of which the Holder by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the properties constituting the Water/Wastewater System; the Net Revenues pledged to the payment of the principal of and interest on the Bonds; the nature and extent and manner of enforcement of the lien and pledge securing the payment of the Bonds; the terms and conditions for the issuance of additional revenue obligations; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Ordinances may be amended or supplemented with or without the

consent of the Holders; the rights, duties, and obligations of the City and the Paying Agent/Registrar; the terms and provisions upon which the liens, pledges, charges and covenants made therein may be discharged at or prior to the maturity of this Bond, and this Bond deemed to be no longer Outstanding thereunder; and for the other terms and provisions contained therein. Capitalized terms used in this Bond have the same meanings assigned in the Ordinances.

This Bond, subject to certain limitations contained in the Ordinances, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar executed by, the Registered Owner, or the authorized agent of the Registered Owner. When a transfer on the Security Register occurs, one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The City and the Paying Agent/Registrar, and any agent of either, may treat the Registered Owner of this Bond whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest on this Bond, (ii) on the date of surrender of this Bond as the owner entitled to payment of principal of this Bond at its Stated Maturity, or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the City nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of non-payment of interest on a scheduled payment date and for thirty days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, recited, represented and covenanted that the City is a organized and legally existing municipal corporation under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Bonds is authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid

obligations of the City have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Ordinances; that the Bonds do not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a pledge of the Net Revenues of the Water/Wastewater System as aforestated. In case any provision in this Bond or any application thereof shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Ordinances shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the City Council of the City has caused this Bond to be executed under the official seal of the City as of the Bond Date.

CITY OF AUSTIN, TEXAS

Mayor

COUNTERSIGNED:

City Clerk

(SEAL)

(c) Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond(s) of each series only.

REGISTRATION CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER)
)
 OF PUBLIC ACCOUNTS) REGISTER NO. _____
)
 THE STATE OF TEXAS)

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

(d) Form of Certificate of Paying Agent/Registrar to Appear on Definitive Bonds of each series only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been issued and registered in the name of the Registered Owner shown above under the provisions of the within-mentioned Ordinances; the bond or bonds of the above entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

The designated office of the Paying Agent/Registrar in Tulsa, Oklahoma is the Designated Payment/Transfer Office for this Bond.

BANK OF TEXAS, N.A.,
Houston, Texas,
as Paying Agent/Registrar

Registration date:

By _____
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address, and zip code of transferee):

(Social Security or other identifying number (_____) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED:

Signature guaranteed:

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular.

(f) The Initial Bond(s) shall be in the form set forth in paragraph (b) of this Section, except that the form of a single fully registered Initial Bond(s) shall be modified as follows:

Series 2010A Initial Bond:

REGISTERED
NO. T-1

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BOND,
SERIES 2010A

Bond Date: November 1, 2010

Registered Owner:

Principal Amount:

The City of Austin (the "City"), a body corporate and municipal corporation in the Counties of Travis, Williamson and Hays, State of Texas, for value received, hereby promises to pay to the registered owner named above, or the registered assigns thereof (the "Registered Owner"), solely from the revenues identified in this Bond, the Principal Amount stated above on November 15 in each of the years and in principal installments in accordance with the following schedule:

<u>STATED</u> <u>MATURITY</u>	<u>PRINCIPAL</u> <u>INSTALLMENTS</u>	<u>INTEREST</u> <u>RATE</u>
----------------------------------	---	--------------------------------

(Information to be inserted from schedule in Section 3 of the
Nineteenth Supplement).

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest, computed on the basis of a 360-day year of twelve 30-day months, on the unpaid principal amounts hereof from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the Bond Date) at the per annum rates of interest specified above; such interest being payable on May 15, 2011 and on each November 15 and May 15 thereafter until maturity or prior redemption. Principal installments of this Bond are payable to the Registered Owner by Bank of Texas, N.A., Houston, Texas (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated offices in Tulsa, Oklahoma (the "Designated Payment/Transfer Office"). Interest is payable to the Registered Owner whose name appears on the "Security Register"

maintained by the Paying Agent/Registrar at the close of business on the “Record Date”, which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/ Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the Registered Owner and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Series 2010B Initial Bond:

REGISTERED
NO. T-1

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
CITY OF AUSTIN, TEXAS,
WATER AND WASTEWATER SYSTEM REVENUE REFUNDING BOND,
TAXABLE SERIES 2010B
(DIRECT SUBSIDY-BUILD AMERICA BOND)

Bond Date: November 1, 2010

Registered Owner:

Principal Amount:

The City of Austin (the “City”), a body corporate and municipal corporation in the Counties of Travis, Williamson and Hays, State of Texas, for value received, hereby promises to pay to the registered owner named above, or the registered assigns thereof (the “Registered Owner”), solely from the revenues identified in

this Bond, the Principal Amount stated above on November 15 in each of the years and in principal installments in accordance with the following schedule:

<u>STATED MATURITY</u>	<u>PRINCIPAL INSTALLMENTS</u>	<u>INTEREST RATE</u>
----------------------------	-----------------------------------	--------------------------

(Information to be inserted from schedule in Section 3 of the
Nineteenth Supplement).

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest, computed on the basis of a 360-day year of twelve 30-day months, on the unpaid principal amounts hereof from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the Bond Date) at the per annum rates of interest specified above; such interest being payable on May 15, 2011 and on each November 15 and May 15 thereafter until maturity or prior redemption. Principal installments of this Bond are payable to the Registered Owner by Bank of Texas, N.A., Houston, Texas (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated offices in Tulsa, Oklahoma (the "Designated Payment/Transfer Office"). Interest is payable to the Registered Owner whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the last business day of the month next preceding each interest payment date and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/ Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the Registered Owner and in any coin or currency of the United States of America

which at the time of payment is legal tender for the payment of public and private debts.

SECTION 11: CRITERIA FOR ISSUANCE OF PARITY WATER/WASTEWATER OBLIGATIONS. The City has provided certain criteria and established certain covenants and agreements in relation to the issuance of Parity Water/Wastewater Obligations of the Water/Wastewater System pursuant to the Master Ordinance and Prior Supplements. The Nineteenth Supplement provides for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment, and security of the Bonds which are Parity Water/Wastewater Obligations. The Master Ordinance is incorporated by reference and made a part of the Nineteenth Supplement for all purposes, except to the extent modified and supplemented by the Prior Supplements and the Nineteenth Supplement, and the Bonds are declared to be Parity Water/Wastewater Obligations under the Master Ordinance and Prior Supplements. The City finds and determines that it will have sufficient funds to meet the financial obligations of the Water/Wastewater System, including sufficient Net Revenues to pay the Annual Debt Service Requirements of the Bonds and the Previously Issued Parity Water/Wastewater Obligations and to meet all financial obligations of the City relating to the Water/Wastewater System.

SECTION 12: PLEDGE. Subject to the prior claim and lien on the Net Revenues of the Water/Wastewater System to the payment and security of the Prior First Lien Obligations currently Outstanding, including the funding and maintenance of the special funds established and maintained for the payment and security of such Prior First Lien Obligations, the Net Revenues of the Water/Wastewater System are hereby pledged to the payment of the Bonds, and the Bonds, together with the Prior Subordinate Lien Obligations, the Previously Issued Separate Lien Obligations and the Previously Issued Parity Water/Wastewater Obligations currently Outstanding, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the Water/Wastewater System in accordance with the terms of the Master Ordinance and the Nineteenth Supplement. Additionally, the Bonds and the Previously Issued Parity Water/Wastewater Obligations shall be equally and ratably secured by a lien on the funds, if any, deposited to the credit of the Debt Service Fund and Reserve Fund in accordance with the terms of the Master Ordinance, the Prior Supplements and the Nineteenth Supplement. It is ordained that the Parity Water/Wastewater Obligations, and the interest on these obligations, shall constitute a lien on the Net Revenues of the Water/Wastewater System and be valid and binding and fully perfected from and after the date of adoption of the Nineteenth Supplement

without physical delivery or transfer or transfer of control of the Net Revenues, the filing of the Nineteenth Supplement or any other act, all as provided in Chapter 1208 of the Texas Government Code. The owners of the Parity Water/Wastewater Obligations shall never have the right to demand payment out of funds raised, or to be raised, by taxation, or from any source other than specified in the Master Ordinance, the Prior Supplements and the Nineteenth Supplement.

Section 1208 of the Texas Government Code applies to the issuance of the Bonds and the pledge of the Net Revenues of the Water/Wastewater System granted by the City under this Section 12, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Net Revenues of the Water/Wastewater System granted by the City under this Section 12 is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 13: DEBT SERVICE FUND. By reason of the issuance of the Bonds, the City need not establish any special accounts within the Debt Service Fund and following the delivery of the Bonds, the City agrees and covenants that in addition to the deposits for the payment of the Previously Issued Parity Water/Wastewater Obligations there shall be deposited to the credit of the Debt Service Fund an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and principal of the Bonds falling due on or before each maturity, mandatory redemption date and interest payment date, and these deposits shall be made in substantially equal monthly amounts on or before the 14th day of each month beginning on or before the 14th day of the month next following the month the Bonds are delivered to the initial purchaser(s).

The required monthly deposits to the Debt Service Fund for the payment of principal of and interest on the Bonds shall continue to be made in the manner provided in this Section until such time as (i) the total amount on deposit in the Debt Service Fund is equal to the amount required to fully pay and discharge all Parity Water/Wastewater Obligations then Outstanding or (ii) the Bonds are no longer outstanding, *i.e.*, fully paid as to principal and interest or all the Bonds have been refunded.

Accrued interest received from the initial purchaser(s) of the Bonds shall be deposited in the Debt Service Fund, and shall be taken into consideration and reduce the amount of the monthly deposits that would otherwise be required to be deposited to the credit of the Debt Service Fund from the Net Revenues of the Water/Wastewater System.

SECTION 14: RESERVE FUND. In accordance with the provisions of the Prior Supplements authorizing the issuance of the Previously Issued Water/Wastewater Obligations, the Required Reserve Amount is funded with surety bonds issued by MBIA Insurance Corporation, Financial Security Assurance Inc., Ambac Assurance Corporation and XL Capital Assurance Inc. By reason of the issuance of the Bonds, the total amount to be accumulated and maintained as a Required Reserve Amount has been determined to be \$45,960,387.48. The Required Reserve Amount allocable to the Series 2010A Bonds in the amount of \$2,552,212.10 will be funded in full on the date of the delivery of the Bonds with proceeds of sale of the Series 2010A Bonds and the Required Reserve Amount allocable to the Series 2010B Bonds in the amount of \$3,556,001.16 will be funded in full on the date of the delivery of the Bonds with other available cash of the City. Any draws on the surety bonds or other credit agreements funding the Required Reserve Amount on which there is available coverage shall be made on a pro rata basis (calculated by reference to coverage then available under each such surety bond or credit agreement) after applying available cash and investments in the Reserve Fund.

The provisions of Section 8 of the Master Ordinance relating to the Reserve Fund, particularly paragraphs (b), (c) and (d) of the Master Ordinance, are incorporated by reference and made a part of the Nineteenth Supplement as if the same were restated in full in this Section, and to the extent of any conflict between the provisions of the Section 8 of the Master Ordinance and the provisions of the Nineteenth Supplement with respect to draws on any Credit Agreement and the reinstatement of the full amount afforded by Credit Agreement, the provisions of the Prior Supplements with respect to the Credit Agreement and the Credit Agreement shall govern. Furthermore, in accordance with Section 10(d) of the Master Ordinance, the City Council finds that the Gross Revenues will be sufficient to meet the obligations of the Water/Wastewater System, including sufficient Net Revenues to satisfy the Annual Debt Service Requirements of Parity Water Wastewater Obligations currently Outstanding and the financial obligations of the City under any Credit Agreement entered into with the above-named surety bond providers.

SECTION 15: PAYMENT OF BONDS. On or before the first scheduled interest payment date, and on or before each interest payment date and principal payment date thereafter while any of the Bonds are Outstanding, the City shall cause an amount to be transferred to the Paying Agent/Registrar in immediately available funds from the Debt Service Fund and Reserve Fund, if necessary, sufficient to pay the interest on and such principal amount of the Bonds, as shall become due on such dates, respectively, at maturity or by redemption prior to maturity. The Paying Agent/Registrar shall destroy all paid Bonds and furnish the City with an appropriate certificate of cancellation or destruction.

SECTION 16: COVENANTS TO MAINTAIN TAX-EXEMPT STATUS WITH RESPECT TO THE SERIES 2010A BONDS.

(a) Definitions. When used in this Section 16, the following terms mean:

“*Computation Date*” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“*Gross Proceeds*” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Series 2010A Bonds.

“*Investment*” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“*Nonpurpose Investment*” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Series 2010A Bonds are invested and which is not acquired to carry out the governmental purposes of the Series 2010A Bonds.

“*Rebate Amount*” has the meaning set forth in Section 1.148-1(b) of the Regulations.

“*Yield*” of (1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations and (2) the Series 2010A Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted,

respectively, would cause the interest on any Series 2010A Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Series 2010A Bond, the City shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the last Stated Maturity of Series 2010A Bonds:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Series 2010A Bonds (including property financed with Gross Proceeds of the 2010A Refunded Notes), and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Series 2010A Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds (including property financed with Gross Proceeds of the 2010A Refunded Notes), other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Series 2010A Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity

if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final Stated Maturity of the Series 2010A Bonds directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Series 2010A Bonds.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Series 2010A Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

(g) Information Report. The City shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last outstanding Series 2010A Bond is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Series 2010A Bonds with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Series 2010A Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Series 2010A Bonds by the Underwriters and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the City shall pay to the United States out of the Debt Service Fund or its general fund, as permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the amount that when added to the future value of previous rebate payments made for the Series 2010A Bonds equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Series 2010A Bonds, enter into any transaction that reduces the amount required to

be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Series 2010A Bonds not been relevant to either party.

(j) Elections. The City hereby directs and authorizes the Mayor, City Manager, Chief Financial Officer, Deputy Chief Financial Officer or City Treasurer, individually or jointly, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Series 2010A Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(k) Series 2010A Bonds Not Hedge Bonds. (1) At the time the original obligations refunded by the Series 2010A Bonds were issued, the City reasonably expected to spend at least 85% of the spendable proceeds of such original obligations within three years after such obligations were issued and (2) not more than 50% of the proceeds of the original obligations refunded by the Series 2010A Bonds were invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

(l) Current Refunding. The 2010A Refunded Notes being refunded by the Series 2010A Bonds constitute a current refunding as the payment of such 2010A Refunded Notes will occur within 90 days of the delivery of the Series 2010A Bonds.

SECTION 17: SERIES 2010B BONDS DESIGNATED AS BUILD AMERICA BONDS

(a) The City hereby irrevocably elects to apply (i) section 54AA of the Code to each of the Series 2010B Bonds as a "build America bond" and (ii) subsection 54AA(g) of the Code to each of the Series 2010B Bonds as a "qualified bond."

(b) With respect to the Series 2010B Bonds which have been designated as "build America bonds," the City shall:

(i) not permit the Issue Price of such Series 2010B Bonds to have original issue premium of more than one-quarter of one percent of the stated redemption price at maturity times the number of complete years to maturity;

(ii) not use more than two percent of the Issue Price of such Series 2010B Bonds to pay or finance costs of issuance of the Series 2010B Bonds; and

(iii) use 100% of the available project proceeds, as defined in Section 54A(e)(4) of the Code, of such Series 2010B Bonds less any amounts deposited to a reasonably required reserve or replacement fund (as defined in Section 1.148-2(f) of the Regulations) to pay or finance capital expenditures, as defined in Section 1.150-1(b) of the Regulations.

(c) The City hereby directs and authorizes the Mayor, City Manager, Chief Financial Officer, Deputy Chief Financial Officer and the City Treasurer, either or any combination of the foregoing, to (i) make such elections permitted or required pursuant to the provisions of the Code, or Regulations as they deem necessary or appropriate in connection with the Series 2010B Bonds; (ii) enter into such agreements, provide certificates and take other action as Bond Counsel may require to enable such counsel to provide such federal income tax opinions to the City as they deem necessary or proper; (iii) authorize and direct to whom and which account any subsidy payable by the United States with respect to the Series 2010B Bonds under section 6431 of the Code, or any successor, similar or related provision may be deposited provided however, such deposit shall be made on a basis consistent with Section 17(f) hereof; (iv) apply for subsidies under section 6431 of the Code payable to the City or to the party or parties determined by the Council; and (v) take any related act or action as they deem necessary or advisable. Such elections shall be deemed to be made on the Closing Date.

(d) The City Council authorizes the Mayor, City Manager, Chief Financial Officer, Deputy Chief Financial Officer and/or the City Treasurer to review, approve, and execute the Tax Certificate with respect to the Series 2010B Bonds (the "Tax Certificate") in the form prepared by Bond Counsel for the purposes of complying with the applicable provisions of the Code, as necessary to maintain the validity of the elections made in this Section 17.

(e) Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of this Section 17 shall survive the defeasance and discharge of the Series 2010B Bonds.

(f) A subaccount within the Debt Service Fund is established (the "BAB Subsidy Subaccount"). The City will deposit all subsidy payments received from the United States Treasury with respect to the Series 2010B Bonds into the BAB

Subsidy Subaccount. All money deposited into the BAB Subsidy Subaccount shall be held in trust solely for the benefit of the Holders of the Series 2010B Bonds and shall be used to make payments on the Series 2010B Bonds.

SECTION 18: AMENDMENT OF NINETEENTH SUPPLEMENT.

(a) Required Owner Consent for Amendments. The owners of a majority in Outstanding Principal Amount of the Bonds shall have the right from time to time to approve any amendment to the Nineteenth Supplement which may be deemed necessary or desirable by the City; provided, however, nothing contained in the Nineteenth Supplement shall permit or be construed to permit the amendment of the terms and conditions in the Nineteenth Supplement so as to:

- (1) Make any change in the maturity of any of the Outstanding Bonds;
- (2) Reduce the rate of interest borne by any of the Outstanding Bonds;
- (3) Reduce the amount of the principal payable on the Bonds;
- (4) Modify the terms of payment of principal of, premium, if any, or interest on the Outstanding Bonds or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all of the Bonds then Outstanding;
- (6) Amend this subsection (a) of this Section; or
- (7) Change the minimum percentage of the principal amount of Bonds necessary for consent to any amendment;

unless such amendment or amendments be approved by the owners of all of the Bonds affected by the change or amendment then Outstanding.

(b) Notice of Amendment Requiring Consent. If at any time the City shall desire to amend the Nineteenth Supplement under this Section, the City shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York, and a newspaper of general circulation in the City, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file with the Paying Agent for the Bonds. Such publication is not required, however, if notice in writing is given by United States Mail, first class postage prepaid, to each owner of the Bonds.

(c) Time Period for Obtaining Consent. If within one year from (i) the date of the first publication of said notice or (ii) the date of the mailing by the

Paying Agent of written notice to the owners of the Bonds, whichever date first occurs if both methods of giving notice are used, the City shall receive an instrument or instruments executed by the owners of at least a majority in Outstanding Principal Amount of the Bonds consenting to and approving such amendment in substantially the form of the copy thereof on file with each Paying Agent, the governing body of the City may pass the amendatory ordinance in substantially the same form.

(d) Revocation of Consent. Any consent given by the owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date for measuring the one year period to obtain consents noted in paragraph (c) above, and shall be conclusive and binding upon all future owners of the same Bonds during such period. At any time after six months from the date for measuring the one year period to obtain consents noted in paragraph (c) above, such consent may be revoked by the owner who gave such consent, or by a successor in title, by filing written notice thereof with the Paying Agent for such Bonds and the City, but such revocation shall not be effective if the owners of at least a majority in Outstanding Principal Amount of the then Outstanding Bonds as determined in accordance with this Section have, prior to the attempted revocation, consented to and approved the amendment.

(e) Implementation of Amendment. Upon the passage of any amendatory ordinance pursuant to the provisions of this Section, the Nineteenth Supplement shall be deemed to be amended, and the respective rights, duties and obligations of the City under the Nineteenth Supplement and all the owners of then Outstanding Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendment.

(f) Amendment without Consent. The preceding provisions of this Section notwithstanding, the City by action of its governing body may amend the Nineteenth Supplement for any one or more of the following purposes:

(1) To add to the covenants and agreements of the City contained in the Nineteenth Supplement, other covenants and agreements thereafter to be observed, grant additional rights or remedies to the owners of the Bonds or to surrender, restrict or limit any right or power reserved in the Nineteenth Supplement to or conferred upon the City;

(2) To make such provisions for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective

provision contained in the Nineteenth Supplement, or in regard to clarifying matters or questions arising under the Nineteenth Supplement, as are necessary or desirable and not contrary to or inconsistent with the Nineteenth Supplement and which shall not adversely affect the interests of the owners of the Bonds then Outstanding;

(3) To modify any of the provisions of the Nineteenth Supplement in any other respect whatever, provided that such modification shall be, and be expressed to be, effective only after all the Bonds outstanding at the date of the adoption of such modification shall cease to be outstanding;

(4) To make such amendments to the Nineteenth Supplement as may be required, in the opinion of Bond Counsel, to ensure compliance with sections 103 and 141 through 150 of the Code and the regulations promulgated thereunder and applicable thereto;

(5) To make such changes, modifications or amendments as may be necessary or desirable to allow the owners of the Bonds to thereafter avail themselves of a book-entry system for payments, transfers and other matters relating to the Bonds, which changes, modifications or amendments are not contrary to or inconsistent with other provisions of the Nineteenth Supplement and which shall not adversely affect the interests of the owners of the Bonds;

(6) To make such changes, modifications or amendments as may be necessary or desirable to obtain or maintain the granting of a rating on the Bonds by a Rating Agency or to obtain or maintain a Credit Agreement or a Credit Facility; and

(7) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Bonds, in order, to the extent permitted by law, to facilitate the economic and practical utilization of interest rate swap agreements, foreign currency exchange agreements, or similar types of agreements with respect to the Bonds. Notice of any such amendment may be published by the City in the manner described in clause (b) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to publish

such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance.

(g) Ownership. For the purpose of this Section, the ownership and other matters relating to all Bonds shall be established by the Security Register maintained by the Paying Agent. Furthermore, the owner of any Bonds insured as to the payment of principal of and interest thereon shall be deemed to be the insurance company providing the insurance coverage on such Bonds; provided such amendment to the Nineteenth Supplement is an amendment that can be made with the consent of a majority in Outstanding Principal Amount of the Bonds and such insurance company is not in default with respect to its obligations under its insurance policy.

SECTION 19: FINAL DEPOSITS; GOVERNMENTAL OBLIGATIONS. All or any of the Bonds shall be deemed to be paid, retired and no longer outstanding within the meaning of the Nineteenth Supplement when payment of the principal of, and redemption premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with, or making available to, the Paying Agent/Registrar, in trust and irrevocably set aside exclusively for such payment, (1) money sufficient to make such payment or (2) Government Obligations, certified by an independent public accounting firm of national reputation, to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar with respect to which such deposit is made shall have been paid or the payment thereof provided for the satisfaction of the Paying Agent/Registrar. At such time as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefit of the Nineteenth Supplement, the Master Ordinance or a lien on and pledge of the Net Revenues of the Water/Wastewater System, and shall be entitled to payment solely from such money or Government Obligations. Provided, however, that with respect to a defeasance of the Series 2010B Bonds, the City shall remain obligated for all payments, including the contribution of additional money or securities if necessary, to provide sufficient funds to satisfy any payment obligations.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, may at the direction of the City also be invested in Government Obligations, maturing in the amounts and at the times as set forth in this Section,

and all income from all Government Obligations not required for the payment of the Bonds, the redemption premium, if any, and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City or deposited as directed by the City. The City covenants that no deposit will be made or accepted under clause (ii) of this Section and no use made of any such deposit which would cause the Series 2010A Bonds to be treated as arbitrage bonds within the meaning of the Code.

Notwithstanding any other provisions of the Nineteenth Supplement, all money or Government Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of the Bonds, the redemption premium, if any, and interest thereon, shall be applied to and used for the payment of such Bonds, the redemption premium, if any, and interest thereon and the income on such money or Government Obligations shall not be considered to be "Gross Revenues" under the Nineteenth Supplement.

SECTION 20: DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. In the event any Outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner provided in this Section. An application for the replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the City and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of the Nineteenth Supplement equally and

proportionately with any and all other Bonds issued under the Nineteenth Supplement.

Notwithstanding the preceding provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section. Furthermore, in accordance with Texas Government Code, Section 1206.022, this Section shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such bonds in the form and manner and with the effect, as provided in Section 6 of the Nineteenth Supplement for Bonds issued in exchange for other Bonds.

SECTION 21: NINETEENTH SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY. In consideration of the acceptance of the Bonds by the Holders from time to time, the Nineteenth Supplement shall be deemed to be and shall constitute a contract between the City and the Holders from time to time of the Bonds and the pledge made in the Nineteenth Supplement by the City and the covenants and agreements set forth in the Nineteenth Supplement to be performed by the City shall be for the equal and proportionate benefit, security, and protection of all Holders, without preference, priority, or distinction as to security or otherwise of any of the Bonds authorized hereunder over any of the others by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by the Nineteenth Supplement.

SECTION 22: CONTINUING DISCLOSURE UNDERTAKING.

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Rule*” means SEC Rule 15c2-12, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission.

(b) Annual Reports. The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year (beginning with the fiscal year ending September 30, 2010) financial information and operating data with respect to the City of the general type included in the final Official Statement approved by Section 25 of the Nineteenth Supplement, being the information described in **Exhibit D** hereto and (2) if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Financial statements to be provided shall be (1) prepared in accordance with the accounting principles described in **Exhibit D** hereto and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not available at the time the financial information and operating data must be provided, then the City shall provide unaudited financial statements for the applicable fiscal year and shall provide audited financial statements, when and if the same becomes available.

If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet web site or filed with the SEC.

(c) Material Event Notices. The City shall notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;

- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of holders of the Bonds;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds; and
- (11) Rating changes.

The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such Section.

(d) Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Section shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section while, but only while, the City remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the City in any event will give the notice required by subsection (c) hereof of any Bond calls and defeasance that cause the City to be no longer such an “obligated person.”

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the City’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided in the Nineteenth Supplement. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE CITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER

PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under this Section shall constitute a breach of or default under the Nineteenth Supplement for purposes of any other provision of the Nineteenth Supplement.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City or the Water/Wastewater System, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Nineteenth Supplement that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. The provisions of this Section may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in such offering. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data filed pursuant to subsection (b) of this Section 22 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION 23: REMEDY IN EVENT OF DEFAULT. In addition to all rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Debt Service Fund or Reserve Fund as required by the Nineteenth Supplement or the Master Ordinance, (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Nineteenth Supplement or the Master Ordinance or (c) the City declares bankruptcy, the Holders of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in the Nineteenth Supplement or the Master Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy provided in this Section shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

SECTION 24: SALE OF BONDS. The Bonds are hereby sold by the City to Barclays Capital Inc., Bank of America Merrill Lynch, RBC Capital Markets Corporation, Goldman Sachs & Co., First Southwest Company, Ramirez & Co., JPMorgan Securities LLC and Estrada Hinojosa & Company, Inc. (collectively, the "Underwriters") in accordance with the Bond Purchase Agreement, dated November 18, 2010, attached hereto as **Exhibit E** and incorporated by reference as a part of the Nineteenth Supplement for all purposes. The Mayor is hereby authorized and directed to execute said Bond Purchase Agreement for and on behalf of the City and as the act and deed of this Council, and in regard to the approval and execution of the Bond Purchase Agreement, the Council hereby finds, determines and declares that the representations, warranties and agreements of the City contained in the Bond Purchase Agreement are true and correct in all material respects and shall be honored and performed by the City.

SECTION 25: OFFICIAL STATEMENT APPROVAL. The use of the Preliminary Official Statement, dated November 10, 2010, in the offering and sale of the Bonds is hereby ratified, confirmed and approved in all respects, and the City Council hereby finds that the information and data contained in said Preliminary Official Statement pertaining to the City and its financial affairs is true and correct in all material respects and no material facts have been omitted therefrom which are necessary to make the statements therein, in light of the

circumstances under which they were made, not misleading. The final Official Statement, which reflects the terms of sale (together with such changes approved by the Mayor, City Manager, Chief Financial Officer, Deputy Chief Financial Officer or City Treasurer, one or more of said officials), shall be and is hereby in all respects approved and the Underwriters are hereby authorized to use and distribute said final Official Statement, dated November 18, 2010, in the offering, sale and delivery of the Bonds to the public.

SECTION 26: CONTROL AND CUSTODY OF BONDS. The City Manager of the City shall be and is hereby authorized to take and have charge of all necessary orders and records pending the sale of the Bonds, and shall take and have charge and control of the Initial Bond(s) pending the approval thereof by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery thereof to the Underwriters.

Furthermore, the Mayor, Mayor Pro Tem, City Manager, Chief Financial Officer, Deputy Chief Financial Officer, City Clerk, City Treasurer and City Attorney, any one or more of said officials, are hereby authorized and directed to furnish and execute such documents relating to the City and its financial affairs as may be necessary for the sale of the Bonds, the approval of the Attorney General and registration by the Comptroller of Public Accounts and, together with the City's financial advisor, bond counsel and the Paying Agent/Registrar, make the necessary arrangements for their delivery to the Underwriters following such sale.

SECTION 27: Proceeds of Sale.

(a) Series 2010A Bonds. Immediately following the delivery of the Series 2010A Bonds, proceeds of sale of the Series 2010A Bonds in the sum of (i) \$75,000,000 shall be deposited with the US Bank, National Association (the "Deposit Agent"), the paying agent for the Series A Notes, for the payment and discharge of the 2010A Refunded Notes, (ii) \$2,552,212.10 shall be deposited to the Reserve Fund, and (iii) \$478,719.53 (representing accrued interest) shall be deposited to the credit of the Debt Service Fund. The balance of the proceeds of sale of the Series 2010A Bonds shall be expended to pay costs of issuance and municipal bond insurance premium, if any, and any excess amount budgeted for such purpose shall be deposited to the credit of the Debt Service Fund.

(b) Series 2010B Bonds. Immediately following the delivery of the Series 2010B Bonds, proceeds of sale of the Series 2010B Bonds in the sum of (i) \$100,000,000 shall be deposited with the US Bank, National Association (the "Deposit Agent"), the paying agent for the Series A Notes, for the payment and

discharge of the 2010B Refunded Notes, and (ii) \$680,483.34 (representing accrued interest) shall be deposited to the credit of the Debt Service Fund. The balance of the proceeds of sale of the Series 2010B Bonds shall be expended to pay costs of issuance, and any excess amount budgeted for such purpose shall be used for capital expenditures as required by Section 17(b)(iii).

Furthermore, appropriate officials of the City in cooperation with the Deposit Agent are authorized and directed to make the necessary arrangements for the deposit of funds with the Deposit Agent for the payment of the 2010A Refunded Notes and the 2010B Refunded Notes; all as contemplated and provided in Texas Government Code, Chapter 1207, and the Nineteenth Supplement.

Additionally, on or immediately prior to the date of the delivery of the Bonds to the Purchasers, the Treasurer shall cause to be transferred in immediately available funds to the Paying Agent/Registrar from other available cash of the City the sum of \$3,556,001.16 to be deposited to the Reserve Fund.

SECTION 28: LEGAL OPINION. The obligation of the Underwriters to accept delivery of the Bonds is subject to being furnished a final opinion of Fulbright & Jaworski L.L.P., Attorneys, Dallas, Texas, approving such Bonds as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for such Bonds. A true and correct reproduction of said opinion is hereby authorized to be printed on the definitive Bonds or an executed counterpart thereof shall accompany the global Bonds deposited with The Depository Trust Company.

SECTION 29: CUSIP NUMBERS. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality thereof and neither the City nor attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 30: PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Whenever under the terms of the Nineteenth Supplement or the Bonds, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Bonds, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

SECTION 31: LIMITATION OF BENEFITS WITH RESPECT TO THE NINETEENTH SUPPLEMENT. With the exception of the rights or benefits expressly conferred in the Nineteenth Supplement, nothing expressed or contained in the Nineteenth Supplement or implied from the provisions of the Nineteenth Supplement or the Bonds is intended or should be construed to confer upon or give to any person other than the City, the Holders, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to the Nineteenth Supplement or any covenant, condition, stipulation, promise, agreement, or provision contained in the Nineteenth Supplement. The Nineteenth Supplement and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the City, the Holders, and the Paying Agent/Registrar as provided in the Nineteenth Supplement and in the Bonds.

SECTION 32: NOTICES TO HOLDERS-WAIVER. Wherever the Nineteenth Supplement provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise expressly provided in the Nineteenth Supplement) if in writing and sent by United States Mail, first class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Bonds. Where the Nineteenth Supplement provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 33: GOVERNING LAW. The Nineteenth Supplement shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 34: EFFECT OF HEADINGS. The Section headings in the Nineteenth Supplement are for convenience of reference only and shall not affect the construction of the Nineteenth Supplement.

SECTION 35: CONSTRUCTION OF TERMS. If appropriate in the context of the Nineteenth Supplement, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 36: SEVERABILITY. If any provision of the Nineteenth Supplement or the application thereof to any circumstance shall be held to be invalid, the remainder of the Nineteenth Supplement and the application thereof to other circumstances shall nevertheless be valid, and the City Council hereby declares that the Nineteenth Supplement would have been enacted without such invalid provision.

SECTION 37: INCORPORATION OF FINDINGS AND DETERMINATIONS. The findings and determinations of the City Council contained in the preamble hereof are hereby incorporated by reference and made a part of this Ordinance for all purposes as if the same were restated in full in this Section.

SECTION 38: PUBLIC MEETING. It is officially found, determined, and declared that the meeting at which the Nineteenth Supplement is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including the Nineteenth Supplement, was given; all as required by Texas Government Code, Chapter 551.

SECTION 39: EFFECTIVE DATE. The Nineteenth Supplement is passed on one reading as authorized by Texas Government Code, Section 1201.028, and shall be effective immediately upon its passage and adoption.

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PASSED AND APPROVED

CITY OF AUSTIN, TEXAS


November 18, 2010

§
§
§




LEE LEFFINGWELL
Mayor

APPROVED:



KAREN KENNARD
Acting City Attorney

ATTEST:



SHIRLEY A. GENTRY
City Clerk

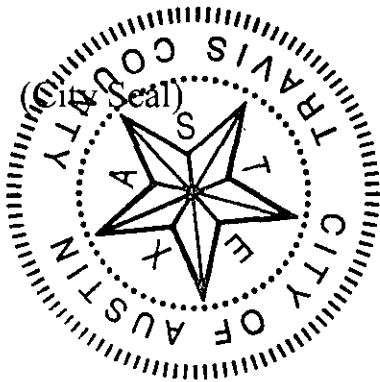


EXHIBIT A

2010B Refunded Notes:

[illegible]

EXHIBIT B

Paying Agent Registrar Agreement – Series 2010A Bonds

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT entered into as of November 18, 2010 (this "Agreement"), by and between the City of Austin, Texas (the "Issuer"), and Bank of Texas, N.A., a banking corporation organized and existing under the laws of the United States of America, or its successors (the "Bank"),

RECITALS

WHEREAS, the Issuer has duly authorized and provided for the execution and delivery of its "City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2010A" (the "Securities"), dated November 1, 2010, which Securities are scheduled to be delivered to the initial purchaser on or about December 16, 2010; and

WHEREAS, the Issuer has selected the Bank to serve as paying agent, registrar and transfer agent with respect to such Securities; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and is duly qualified and otherwise capable of performing the duties and responsibilities contemplated by this Agreement with respect to the Securities;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01: Appointment. The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities, and, as Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof; all in accordance with this Agreement and the "Bond Resolution" (hereinafter defined). The Issuer hereby appoints the Bank as Registrar with respect to the Securities and, as Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the "Bond Resolution".

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

Section 1.02: Compensation. As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Schedule A attached hereto.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

ARTICLE TWO DEFINITIONS

Section 2.01: Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

"Bank Office" means the designated office of the Bank as indicated in Section 3.01 hereof. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

"Bond Resolution" means the resolution, order, or ordinance of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary or any other officer of the Issuer and delivered to the Bank.

"Holder" and "Security Holder" each means the Person in whose name a Security is registered in the Security Register.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Resolution).

“Redemption Date” when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Bond Resolution.

“Responsible Officer” when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Security Register” means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfers of Securities.

“Stated Maturity” means the date specified in the Bond Resolution the principal of a Security is scheduled to be due and payable.

Section 2.02: Other Definitions. The terms “Bank,” “Issuer,” and “Securities (Security)” have the meanings assigned to them in the recital paragraphs of this Agreement.

The term “Paying Agent/Registrar” refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE THREE PAYING AGENT

Section 3.01: Duties of Paying Agent. As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the following address:

Bank of Texas, N.A.
One Williams Center, 10 NW
Tulsa, Oklahoma 74103

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and making payment thereof to the Holders of the Securities (or their Predecessor Securities) on the Record Date. All payments of principal and/or interest on the Securities to the registered owners shall be accomplished (1) by the issuance of checks, payable to the registered owners, drawn on the fiduciary account provided in Section 5.05 hereof, sent by United States mail, first class, postage prepaid, to the address appearing on the Security Register or (2) by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

Section 3.02: Payment Dates. The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities at the dates specified in the Bond Resolution.

ARTICLE FOUR REGISTRAR

Section 4.01: Security Register - Transfers and Exchanges. The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and Bank may prescribe. The Bank represents and warrants its office in Houston, Texas will at all times have immediate access to the Security Register by electronic or other means and will be capable at all times of producing a hard copy of the Security Register at its Houston office for use by the Issuer. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 4.02: Certificates. The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other governments or corporations for which it serves as registrar, or that is maintained for its own securities.

Section 4.03: Form of Security Register. The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 4.04: List of Security Holders. The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

Section 4.05: Return of Cancelled Certificates. The Bank will, at such reasonable intervals as it determines, surrender to the Issuer, Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

Section 4.06: Mutilated, Destroyed, Lost or Stolen Securities. The Issuer hereby instructs the Bank, subject to the provisions of the Bond Resolution, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an overissuance.

In case any Security shall be mutilated, or destroyed, lost or stolen, the Bank may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed lost or stolen Security, only upon the approval of the Issuer and after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost or stolen.

Section 4.07: Transaction Information to Issuer. The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

ARTICLE FIVE THE BANK

Section 5.01: Duties of Bank. The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

Section 5.02: Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

Section 5.03: Recitals of Issuer. The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

Section 5.04: May Hold Securities. The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise

deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

Section 5.05: Moneys Held by Bank - Paying Agent Account/Collateralization. A paying agent account shall at all times be kept and maintained by the Bank for the receipt, safekeeping and disbursement of moneys received from the Issuer hereunder for the payment of the Securities, and money deposited to the credit of such account until paid to the Holders of the Securities shall be continuously collateralized by securities or obligations which qualify and are eligible under both the laws of the State of Texas and the laws of the United States of America to secure and be pledged as collateral for paying agent accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation. Payments made from such account shall be made by check drawn on such account unless the owner of such Securities shall, at its own expense and risk, request such other medium of payment.

The Bank shall be under no liability for interest on any money received by it hereunder.

Subject to the applicable unclaimed property laws of the State of Texas, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be paid by the Bank to the Issuer, and the Holder of such Security shall thereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such moneys shall thereupon cease.

Section 5.06: Indemnification. To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

Section 5.07: Interpleader. The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State and County where the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank

has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein.

Section 5.08: DT Services. It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for “Depository Trust Company” services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the “Operational Arrangements”, which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

ARTICLE SIX MISCELLANEOUS PROVISIONS

Section 6.01: Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 6.02: Assignment. This Agreement may not be assigned by either party without the prior written consent of the other.

Section 6.03: Notices. Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page hereof.

Section 6.04: Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 6.05: Successors and Assigns. All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 6.06: Severability. In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 6.07: Benefits of Agreement. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 6.08: Entire Agreement. This Agreement and the Bond Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Bond Resolution, the Bond Resolution shall govern.

Section 6.09: Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10: Termination. This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon sixty (60) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.11: Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BANK OF TEXAS, N.A.

BY _____
Title:

Attest:

Address: 1401 McKinney,
Suite 100
Houston, Texas 77010

Title:

CITY OF AUSTIN, TEXAS

BY _____
Lee Leffingwell, Mayor

Attest:

Address: P. O. Box 1088
Austin, Texas 78767

Shirley A. Gentry, City Clerk

EXHIBIT C

Paying Agent Registrar Agreement – Series 2010B Bonds

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT entered into as of November 18, 2010 (this "Agreement"), by and between the City of Austin, Texas (the "Issuer"), and Bank of Texas, N.A., a banking corporation organized and existing under the laws of the United States of America, or its successors (the "Bank"),

RECITALS

WHEREAS, the Issuer has duly authorized and provided for the execution and delivery of its "City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2010B" (Direct Subsidy-Build America Bonds) (the "Obligations"), dated November 1, 2010, which Obligations are scheduled to be delivered to the initial purchaser on or about December 16, 2010; and

WHEREAS, the Obligations are scheduled to be delivered to the initial purchaser thereof as provided in the "Authorizing Document" (hereinafter defined);

WHEREAS, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on the Obligations and with respect to the registration, transfer, and exchange thereof by the registered owners thereof;

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Obligations;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE I APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. **Appointment.** The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Obligations. As Paying Agent for the Obligations, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Obligations as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the Authorizing Document.

The Issuer hereby appoints the Bank as Registrar with respect to the Obligations. As Registrar for the Obligations, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Obligations and with respect to the transfer and exchange thereof as provided herein and in the Authorizing Document.

The Bank hereby accepts its appointment and agrees to serve as the Paying Agent and Registrar for the Obligations.

Section 1.02. **Compensation.** As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in **Schedule A** attached hereto.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

ARTICLE II DEFINITIONS

Section 2.01. **Definitions.** For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Authorized Representative of the Issuer" means (i) the Mayor, (ii) the City Manager, (iii) the Chief Financial Officer, (iv) the Treasurer, (v) the City Clerk, of the Issuer or (vi) such other officer of the Issuer designated as an "Authorized Representative" in writing to the Bank by any of the officers listed in clauses (i), (ii), (iii), (iv) or (v).

"Bank Office" means the designated offices of the Bank at the addresses reflected in Section 3.01 hereof. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

"BAB Subsidy Account" means the subaccount established by Section 6.02 hereof relating solely to the Obligations.

"Code" means the Internal Revenue Code of 1986, as amended.

"Department of the Treasury" means the United States Department of the Treasury.

“Federal Income Tax Laws” means the Code, the regulations promulgated thereunder and applicable rulings, announcements, notices and other United States Treasury Department and Internal Revenue Services promulgations, and judicial decisions.

“Holder” and “Security Holder” each means the Person in whose name a Obligation is registered in the Security Register.

“Interest and Sinking Fund” shall mean the “Debt Service Fund” defined in the Authorizing Document.

“Authorizing Document” means the resolution, order, or ordinance of the governing body of the Issuer pursuant to which the Obligations are issued, as the same may be amended or modified, including any pricing certificate related thereto, certified by the City Clerk of the Issuer or any other officer of the Issuer and delivered to the Bank.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

“Predecessor Obligations” of any particular Obligation means every previous Obligation evidencing all or a portion of the same obligation as that evidenced by such particular Obligation (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Obligation for which a replacement Obligation has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Authorizing Document).

“Record Date” means the last business day of the month next preceding an interest payment date established by the Authorizing Document.

“Redemption Date” when used with respect to any Obligation to be redeemed means the date fixed for such redemption pursuant to the terms of the Authorizing Document.

“Responsible Officer” when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-chairman of the Executive Committee of the Board of Directors, the Chair, any Vice Chair, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with

respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Security Register” means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of the Obligations.

“Stated Maturity” means the date specified in the Authorizing Document on which the principal of a Obligation is scheduled to be due and payable.

“Subsidy Payments” has the meaning set forth in Section 6.01 hereof.

Section 2.02. **Other Definitions.** The terms “Bank,” “Issuer,” and “Obligations” have the meanings assigned to them in the recital paragraphs of this Agreement.

The term “Paying Agent/Registrar” refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE III PAYING AGENT

Section 3.01. **Duties of Paying Agent.** As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Obligation at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Obligation to the Bank at the Bank Office at the following address:

Bank of Texas, N.A.
One Williams Center, 10 NW
Tulsa, Oklahoma 74103

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Obligation when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States mail, first class, postage prepaid, on each payment date, to the Holders of the Obligations (or their Predecessor Obligations) on the respective Record Date, to the address appearing on the Security Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder’s risk and expense.

Section 3.02. **Payment Dates.** The Issuer hereby instructs the Bank to pay the principal of and interest on the Obligations on the dates specified in the Authorizing Document.

ARTICLE IV REGISTRAR

Section 4.01. **Security Register - Transfers and Exchanges.** The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holders of the Obligations, the transfer, exchange, and replacement of the Obligations, and the payment of the principal of and interest on the Obligations to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. All transfers, exchanges, and replacement of Obligations shall be noted in the Security Register. The Bank shall maintain a copy of the Security Register within the State of Texas.

Every Obligation surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration, transfer, or exchange of the Obligations.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Obligations, the exchange or transfer by the Holders thereof will be completed and new Obligations delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Obligations to be canceled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 4.02. **Certificates.** If the book-entry system of securities transfer and registrations shall be discontinued, the Issuer shall provide an adequate inventory of printed Obligations to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Obligations will be kept in safekeeping pending their use, and reasonable care will be exercised by the

Bank in maintaining such Obligations in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

Section 4.03. **Form of Security Register.** The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer, and exchange of the Obligations in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 4.04. **List of Obligation Holders.** The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

Unless required by law, the Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

Section 4.05. **Destruction of Paid Certificates.** At any time subsequent to six months after the payment thereof, the Bank is authorized to cancel and destroy any Obligations duly paid and shall furnish to the Issuer a certificate evidencing such destruction.

Section 4.06. **Mutilated, Destroyed, Lost, or Stolen Obligations.** The Issuer hereby instructs the Bank, subject to the applicable provisions of the Authorizing Document, to deliver and issue Obligations in exchange for or in lieu of mutilated, destroyed, lost, or stolen Obligations as long as the same does not result in an over issuance.

In case any Obligation shall be mutilated, or destroyed, lost or stolen, the Bank, in its discretion, may execute and deliver a replacement Obligation of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Obligation, or in lieu of and in substitution for such destroyed, lost, or stolen Obligation, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss, or theft of such Obligation, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution, and delivery of a replacement Obligation shall be borne by the Holder of the Obligation mutilated, or destroyed, lost, or stolen.

Section 4.07. **Transaction Information to Issuer.** The Bank will, *within a reasonable time after receipt of written request from the Issuer*, furnish the Issuer information as to the Obligations it has paid pursuant to Section 3.01, Obligations it has delivered upon the transfer or exchange of any Obligations pursuant to Section 4.01, and Obligations it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Obligations pursuant to Section 4.06.

Section 4.08. **U.S. Federal Income Tax Reporting and Withholding.**

The Bank shall timely comply with all applicable requirements of the Federal Income Tax Laws, with respect to obtaining and retaining all documents required to be obtained or retained in connection with the performance of its duties hereunder, including, without limitation, the obtaining and retaining, to the extent applicable, Forms W-8, W-9, 1099, 1042 and 1042S to be furnished by Holders. The Bank agrees that it will timely and accurately file with the Internal Revenue Service and send to Holders all information returns, statements and forms required under the Federal Income Tax Laws and will show on such returns, statements and forms, in addition to certain identifying information about itself, the name, address and taxpayer identification number of the Issuer and that the Bank is making such return or statement as the Issuer's Paying Agent/Registrar. The Bank further agrees to include in information returns, statements or forms sent to any Holders such explanatory information as the Issuer may timely furnish to the Bank for inclusion in such information returns, statements or forms. The Bank shall also, pursuant to the applicable Federal Income Tax Laws, withhold from the amounts payable to the Holders all applicable withholding and/or back up withholding, if any, required to be so withheld and remit the same to the Internal Revenue Service on a timely basis and shall furnish the Issuer within five days following written request therefor, a statement or statements showing amounts withheld, the dates of

remittance to the Internal Revenue Service, the reasons for withholding, identifying information with respect to the Holders subject to withholding and such other information or documents as the Issuer may reasonably request concerning such withholding. The Bank shall also, within five days following receipt of a written request from the Issuer, furnish the Issuer with originals or copies (as specified by the Issuer in such written request) of all Internal Revenue Service forms or other documents, including, but not limited to Forms W-8, W-9, 1099, 1042 and 1042S or substitutes thereof, in the possession of the Bank which relate to the Obligations.

ARTICLE V THE BANK

Section 5.01. **Duties of Bank.** The Bank undertakes to perform the duties set forth herein and in the Authorizing Document and agrees to use reasonable care in the performance thereof. The Bank is also authorized to transfer funds relating to the closing and initial delivery of the securities in the manner disclosed in the closing memorandum approved by the Issuer as prepared by the Issuer's financial advisor or other agent. The Bank may act on a facsimile transmission of the closing memorandum to be followed by an original of the closing memorandum signed by the financial advisor or the Issuer.

Section 5.02. **Reliance on Documents, Etc.**

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the

proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Obligations, but is protected in acting upon receipt of Obligations containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by the Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

Section 5.03. **Recitals of Issuer.** The recitals contained herein with respect to the Issuer and in the Obligations shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Obligation, or any other Person for any amount due on any Obligation from its own funds.

Section 5.04. **May Hold Obligations.** The Bank, in its individual or any other capacity, may become the owner or pledgee of Obligations and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

Section 5.05. **Money Held by Bank.** The Bank shall deposit any money received from the Issuer into a trust account to be held in a paying agent capacity for the payment of the Obligations, with such money in the account that exceeds the deposit insurance available to the Issuer, provided by the Federal Deposit Insurance Corporation, to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas to secure and be pledged as collateral for trust accounts until the principal and interest on such securities have been presented for payment and paid to the owner thereof. Payments made from such trust account shall be made by check drawn on such trust account unless the owner of such Obligations shall, at its own expense and risk, request such other medium of payment.

All funds at any time and from time to time provided to or held by the Bank hereunder shall be deemed, construed, and considered for all purposes as being provided to or held by the Bank in trust. The Bank acknowledges, covenants, and represents that it is acting herein in trust in relation to such funds, and is not accepting, holding, administering, or applying such funds as a banking depository, but solely as a paying agent for and on behalf of the Obligation thereto. The Holders shall be entitled to the same preferred claim and first lien on the funds so provided as are enjoyed by the beneficiaries of trust funds generally. The funds provided to the Bank hereunder shall not be subject to warrants, drafts or checks drawn by the Issuer and, except as expressly provided herein, shall not be subject to compromise, set off, or other charge or diminution by the Bank.

The Bank shall be under no liability for interest on any money received by it hereunder.

Subject to the unclaimed property laws of the State of Texas and any provisions in the Authorizing Document to the contrary, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Obligation and remaining unclaimed for three years after final maturity of the Obligation has become due and payable will be paid by the Bank to the Issuer, and the Holder of such Obligation shall thereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such money shall thereupon cease. If the Issuer does not elect, the Bank is directed to report and dispose of the funds in compliance with Title 6 of the Texas Property Code, as amended.

Section 5.06. **Indemnification.** To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

Section 5.07. **Interpleader.** The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State of Texas and County where either the Bank Office or the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in

any court of competent jurisdiction within the State of Texas to determine the rights of any Person claiming any interest herein.

Section 5.08. **Depository Trust Company Services.** It is hereby represented and warranted that, in the event the Obligations are otherwise qualified and accepted for “Depository Trust Company” services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the “Operational Arrangements,” effective on the date hereof or as amended, which establishes requirements for securities to be eligible for such type of depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

Section 5.09. **Reporting Requirements of Paying Agent/Registrar.** To the extent required by the Code and the regulations promulgated and pertaining thereto, it shall be the duty of the Paying Agent/Registrar, on behalf of the Issuer, to report to the owners of the Obligations and the Internal Revenue Service (i) the amount of “reportable payments”, if any, subject to backup withholding during each year and the amount of tax withheld, if any, with respect to payments of the Obligations and (ii) the amount of interest or amount treating as interest on the Obligations and required to be included in gross income of the owner thereof.

ARTICLE VI PROVISIONS RELATING TO THE ISSUER’S RECEIPT OF THE DIRECT FEDERAL SUBSIDY

Section 6.01. **Receipt and Deposit of Federal Subsidy Payments; Investment.**

The Issuer has irrevocably elected to receive directly from the Department of the Treasury subsidy payments equal to 35% of the interest paid on the Obligations by the Issuer (the “Subsidy Payments”), which election is based on the Obligations’ qualification as “Build America Bonds” under section 54AA of the Code and as “qualified bonds” under subsection 54AA(g) of the Code, and the Issuer’s irrevocable election to treat the Obligations as such at the time of their issuance. The Issuer has the sole and complete authority for the receipt, allocation, accounting, and transfer of the Subsidy Payments and hereby authorizes the Bank to receive any and all direction with respect to the Subsidy Payments from the Authorized Representative of the Issuer. In each Form 8038-CP to be filed by the Issuer, with the Internal Revenue Service, the Issuer may direct the Department of the Treasury to send the Subsidy Payment, on its behalf, directly to the Bank, in its

capacity as Paying Agent for the Obligations. Alternatively, the Issuer may transfer the Subsidy Payments when received to the Bank. Regardless, upon receipt by the Bank, the Issuer hereby directs the Bank to immediately deposit the Subsidy Payments to the BAB Subsidy Account upon its receipt of the same to make a portion of the debt service payments on the Obligations.

The Bank agrees to cooperate with Issuer and take such reasonable actions as directed by Issuer to enable or assist the Issuer with respect to the payment of the Subsidy Payments and to enable the Bank as Paying Agent (or if Bank ceases to be Paying Agent or the Issuer decides to receive the Subsidy Payment directly or to direct that the Subsidy Payment be paid to another designee) to enable the Issuer or such other designee, to receive the Subsidy Payment.

Money on deposit in the BAB Subsidy Account shall be invested by the Bank as directed in writing by an Authorized Representative of the Issuer in investments as authorized by the Ordinance.

Section 6.02. Establishment of BAB Subsidy Account.

Pursuant to Section 17(f) of the Ordinance, the Paying Agent hereby establishes the BAB Subsidy Account as follows:

Bank of Texas, N.A.

City of Austin Water and Wastewater System BAB Subsidy Account

Account Number: _____

It is anticipated that the Subsidy Payments will initially be paid by the Department of Treasury by a check made payable to the Issuer for deposit to the BAB Subsidy Account until the Department of Treasury implements regulations and procedures to provide for the wire transfer, or other electronic transfer, of the Subsidy Payments to the Bank for immediate deposit into the BAB Subsidy Account.

Section 6.03. Notice to Issuer of Subsidy Payment Deposit; Off-Set by Issuer.

As soon as practicable, but in no event later than two (2) business days, after depositing a Subsidy Payment to the BAB Subsidy Account, the Bank will send written notice of such deposit (including the amount thereof) to the Issuer. The Issuer shall then take such deposit into account, for so long as all or any part of the same is held in the BAB Subsidy Account and has not otherwise been used or allocated to make payment in the manner hereinafter described, when forwarding

to the Bank regularly scheduled debt service payments on the Obligations, as required under the Ordinance, so that such requisite payments are reduced in an aggregate amount equal to the sum of the Subsidy Payment.

Section 6.04. Use of the Subsidy Payments to Off-Set Debt Service Requirements on the Obligations.

When making the payments at the times and in the manner described in Article Three hereof, the Bank shall first withdraw funds on deposit in the BAB Subsidy Account prior to withdrawing the necessary balance from the Interest and Sinking Fund (or from any other available source from which such payments may be legally made) to make the debt service payments on the Obligations. Accordingly, since money (being the Subsidy Payments and investment earnings thereon) on deposit in the BAB Subsidy Account may only be utilized to pay a portion of the debt service requirements on the Obligations, such funds shall reduce the payment obligations related thereto and, as such, shall be taken into account as a direct off-set to the payment of the maximum principal and/or interest, as applicable, on the Obligations for all purposes of the Ordinance.

ARTICLE VII MISCELLANEOUS PROVISIONS

Section 7.01. Amendment. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 7.02. Assignment. This Agreement may not be assigned by either party without the prior written consent of the other.

Section 7.03. Notices. Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

Section 7.04. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 7.05. Successors and Assigns. All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 7.06. **Severability.** In case any provision herein shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 7.07. **Benefits of Agreement.** Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 7.08. **Entire Agreement.** This Agreement and the Authorizing Document constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Authorizing Document, the Authorizing Document shall govern.

Section 7.09. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 7.10. **Termination.** This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Obligations to the Holders thereof or (ii) may be earlier terminated by either party upon sixty (60) days' written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Obligations of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay, or otherwise adversely affect the payment of the Obligations.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Obligations, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement

Section 7.11. **Governing Law.** This Agreement shall be construed in accordance with and governed by the law of the State of Texas.

[remainder of page left blank intentionally]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BANK OF TEXAS, N.A.

BY _____

Title:

Attest:

Address: 1401 McKinney, Suite 100
Houston, Texas 77010

Title:

CITY OF AUSTIN, TEXAS

BY _____

Lee Leffingwell, Mayor

Attest:

Address: P. O. Box 1088
Austin, Texas 78767

Shirley A. Gentry, City Clerk

EXHIBIT D

Continuing Disclosure Requirements Under the Rule DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 22 of the Nineteenth Supplement.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the City to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

1. The financial statements of the City appended to the Official Statement as Appendix B, but for the most recently concluded fiscal year.
2. The information under the numbered tables.

Accounting Principles

The accounting principles referred to in such Section are the generally accepted accounting principles as applicable to governmental units as prescribed by The Governmental Accounting Standards Board.

EXHIBIT E

Bond Purchase Agreement

CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties, Texas)

Water and Wastewater System
Revenue Refunding Bonds
Series 2010A

Water and Wastewater System
Revenue Refunding Bonds
Taxable Series 2010B
(Direct Subsidy-Build America Bonds)

BOND PURCHASE AGREEMENT

November 18, 2010

The Honorable Mayor and Members
of the City Council
City of Austin, Texas
700 Lavaca, Suite 1510
Austin, Texas 78701

Ladies and Gentlemen:

The undersigned, Barclays Capital Inc. (hereinafter sometimes called the "Representative"), acting on its own behalf and on behalf of the other underwriters listed on Schedule I hereto (the Representative and such other underwriters being collectively called the "Underwriters"), and not acting as a fiduciary or agent for you, offers to enter into the following agreement (this "Agreement") with the City of Austin, Texas (the "Issuer") which, upon the Issuer's written acceptance of this offer, will be binding upon the Issuer and upon the Underwriters. This offer is made subject to the Issuer's written acceptance hereof on or before 10:00 p.m., Austin, Texas time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Terms not otherwise defined in this Agreement shall have the same meanings set forth in the Ordinance (as defined herein) or in the Official Statement (as defined herein).

1. ***Purchase and Sale of the Bonds.*** Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree, jointly and severally, to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriters, all, but not less than all, of the Issuer's Water and Wastewater System Revenue Refunding Bonds, Series 2010A (the "Series 2010A Bonds") and the Issuer's Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy-Build America Bonds) (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "Bonds"). The Issuer acknowledges that in connection with the purchase and sale of the Bonds pursuant to this Agreement and the offering of the Bonds for sale and the discussions and negotiations relating to the terms of the Bonds set forth in this Agreement: (a) the Underwriters have acted at arms length, are acting solely as principals for

their own account and are not agents of or advisors to, and owe no fiduciary duties to, the Issuer or any other person, (b) the Underwriters' duties and obligations to the Issuer shall be limited to those contractual duties and obligations set forth in this Agreement, (c) the Underwriters may have interests that differ from those of the Issuer and (d) the Issuer has consulted its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bonds. The Representative represents and warrants to the Issuer that it has been duly authorized to act on behalf of itself and the other Underwriters to enter into this Agreement and to take all actions, on behalf of the Underwriters, required or contemplated to be performed by the Underwriters under this Agreement.

The principal amount of the Bonds to be issued, the maturities and interest rates per annum are set forth in Schedule II hereto. The Bonds will be dated November 1, 2010. The Bonds shall be as described in, and shall be issued and secured under and pursuant to the provisions of Ordinance No. 000608-56A adopted by the City Council of the Issuer on June 8, 2000 (the "Master Ordinance"), and a Nineteenth Supplemental Ordinance, including all appendices and exhibits thereto, adopted by the City Council of the Issuer on November 18, 2010 (the "Nineteenth Supplement" and, together with the Master Ordinance, the "Ordinance").

The purchase price for the Series 2010A Bonds shall be \$77,856,330.08 (representing \$76,855,000 original principal amount thereof, plus a net original issue premium of \$1,415,842.85, less an underwriting discount of \$414,512.77) plus interest accrued on the Bonds to Closing (as defined herein).

The purchase price for the Series 2010B Bonds shall be \$100,348,024.08 (representing \$100,970,000 original principal amount thereof, less an underwriting discount of \$621,975.92) plus interest accrued on the Bonds to Closing.

On the date of the execution of this Agreement, the Representative must wire \$1,718,900 in immediately available funds by federal funds wire transfer to or for the account of the Issuer, to be held by the Issuer pending the delivery of the Bonds. Failure of the Issuer to receive such funds on the date of this Agreement shall result in a termination of this Agreement, notwithstanding anything in this Agreement to the contrary. It is the intent of the parties that such funds will be applied to the purchase price of the Bonds payable at the Closing, as herein provided, and the amount to be paid by the Underwriters at the Closing for the purchase of the Bonds shall be reduced by \$1,718,900. In the event of the failure by the Issuer to deliver the Bonds at Closing, or if the Issuer is unable to satisfy the conditions to the obligation of the Underwriters contained in this Agreement, or if the obligation of the Underwriters shall be terminated for any reason permitted by this Agreement, the Issuer will wire \$1,718,900 promptly to the Representative. In the event that the Underwriters fail (other than for a permitted reason hereunder) to accept and pay for the Bonds upon the proper tender thereof by the Issuer at the Closing, as herein provided, the Issuer shall be entitled to retain such funds as and for fully liquidated damages for such failure and for any and all defaults on the part of the Underwriters, and except as set forth in Sections 8 and 10 hereof, no party shall have any further rights against the other hereunder. The Underwriters and the Issuer understand that in such event the Issuer's actual damages may be greater or may be less than such amount. Accordingly, the Underwriters hereby waive any right to claim that the Issuer's actual damages are less than such amount, and

the Issuer's acceptance of this offer and receipt of such funds shall constitute a waiver of any right the Issuer may have to additional damages from the Underwriters.

2. Establishment of Issue Price; Underwriters' Acknowledgements and Agreements to Provide Information in Connection with EMMA Review of Series 2010B Bonds. (a) The term "public," as used herein, does not include bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers with respect to the Bonds. The Underwriters agree to complete a bona fide public offering of all of the Bonds of all maturities pursuant to which the Underwriters will (i) offer each of the Bonds of each maturity to the public at the initial offering price for the applicable maturity that will be set forth on the inside cover of the Official Statement (each, an "Initial Offering Price") and (ii) reasonably expect to sell the Bonds at a price no higher than the applicable Initial Offering Price. The Underwriters reserve the right to lower such Initial Offering Price(s) as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to the public (including dealers depositing the Bonds into investment trusts) at prices lower than the Initial Offering Price(s) set forth in the Official Statement. The Underwriters also reserve the right to: (i) over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice. The aggregate of the Initial Offering Prices is the price that the Underwriters will certify is the "issue price" of each series of the Bonds (the "Certified Issue Price") by executing and delivering to the Issuer and Bond Counsel, on the date of delivery of the Bonds (i) with respect to the Series 2010A Bonds, a certificate substantially in the form attached hereto as Exhibit A, and (ii) with respect to the Series 2010B Bonds, a certificate substantially in the form attached hereto as Exhibit B (each, an "Issue Price Certificate").

(b) The Underwriters acknowledge that they have been advised of the following:

(1) that the Issuer intends to make an irrevocable election (the "BAB Election") to elect to treat the Series 2010B Bonds as "build America bonds" ("BABs") under section 54AA of the Internal Revenue Code of 1986, as amended (the "Code") in order to receive payments from the federal government equal to 35% of the interest payments on the Series 2010B Bonds (the "Interest Subsidy Payments");

(2) that the Issuer's BAB Election and attendant receipt of the Interest Subsidy Payments is legally dependent on (a) the amount of original issue premium at which the Series 2010B Bonds are sold not exceeding a de minimus amount (0.25% for each complete year to stated maturity or earlier optional call date), and (b) the costs of issuing the bonds, including the compensation paid to the Underwriters, not exceeding 2% of the sales proceeds of the Series 2010B Bonds (collectively, the "Limits");

(3) that the Issuer's determination of its compliance with the Limits and Bond Counsel's opinion to the Issuer that the Series 2010B Bonds qualify for the BAB Election and attendant receipt of the Interest Subsidy Payment will rely on, among other things, a properly executed Issue Price Certificate, and that such opinion of Bond Counsel shall include an opinion that the Series 2010B Bonds qualify as BABs under Section 54AA of

the Code and as “qualified bonds” (“Qualified Build America Bonds”) under Section 54AA(g) of the Code; and

(4) that documents published by the Internal Revenue Service (the “IRS”) and public statements made by IRS personnel indicate that issuers of BABs will be asked (in questionnaires and/or in possible audit of their bonds) whether, prior to delivery of the bonds (a) the issuers reviewed data with respect to sales of their bonds available on the Electronic Municipal Market Access (“EMMA”) system maintained by the Municipal Securities Rulemaking Board (an “EMMA Review”); and (b) the issuers asked for and received explanations of sales of their bonds at prices higher than the issue price certified by the underwriters.

In connection with the Issuer’s EMMA Review, the Underwriters agree to:

(1) no later than three days prior to closing of the Series 2010B Bonds, provide the Issuer with EMMA data (to the extent reasonably available) evidencing any trading activity of the Series 2010B Bonds occurring on or after the date hereof and on or prior to the date that is five days prior to the closing of the Bonds (the “Review Period”); and

(2) with respect to any sale of Series 2010B Bonds during the Review Period that the Issuer identifies, in writing, as having been made at a price higher than the Certified Issue Price (an “Identified Sale”), the Underwriters will use their best efforts, to the extent available from EMMA or other reliable market sources, to provide such information about the Identified Sale as the Issuer may reasonably request, including the following:

(i) whether the Identified Sale was a sale of Series 2010B Bonds by the Underwriters and persons controlling, controlled by or under common control with an Underwriter or having a contractual relationship with respect to the sale of the Bonds with an Underwriter (each, a “Syndicate Person”); and

(ii) if the Identified Sale is a sale of Series 2010B Bonds by a Syndicate Person, an explanation from such Syndicate Person of the circumstances which gave rise to such sale, including, to the extent available, why the Identified Sale was at a price higher than the Certified Issue Price.

[The obligation to provide the Issuer with EMMA data rests with each Underwriter individually and not jointly.]

3. ***The Official Statement.*** (a) The Issuer previously has delivered copies of the Preliminary Official Statement dated October 28, 2010 (the “Preliminary Official Statement”), to the Underwriters in a “designated electronic format,” as defined in the Municipal Securities Rulemaking Board’s (“MSRB”) Rule G-32 (“Rule G-32”). The Issuer will prepare or cause to be prepared a final Official Statement relating to the Bonds, which will be (1) dated the date of this Agreement, (2) complete within the meaning of the United States Securities and Exchange Commission’s Rule 15c2-12, as amended (the “Rule”), (3) substantially in the form of the most recent version of the Preliminary Official Statement provided to the Underwriters before the

execution hereof, and (4) in both a “designated electronic format” consistent with the requirements of Rule G-32 and in a printed format. Such final Official Statement, including the cover page thereto, all exhibits, schedules, appendices, maps, charts, pictures, diagrams, reports, and statements included or incorporated therein or attached thereto, and all amendments and supplements thereto that may be authorized for use with respect to the Bonds, is herein referred to as the “Official Statement.” Until the Official Statement has been prepared and is available for distribution, the Issuer shall provide to the Underwriters sufficient quantities of the Preliminary Official Statement (which may be in electronic format, as described above) as the Underwriters reasonably deem necessary to satisfy the obligation of the Underwriters under the Rule with respect to distribution to each potential customer, upon request, of a copy of the Preliminary Official Statement.

(b) The Preliminary Official Statement has been prepared by the Issuer for use by the Underwriters in connection with the public offering, sale and distribution of the Bonds. The Issuer hereby represents and warrants that the Preliminary Official Statement was “deemed final” by the Issuer as of its date for purposes of the Rule, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of the Rule.

(c) The Issuer represents that it has reviewed and approved the information in the Official Statement and the Issuer hereby authorizes the distribution and use of the Official Statement, and the information therein contained, by the Underwriters in connection with the public offering and the sale of the Bonds. The Issuer ratifies and consents to the distribution and use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering and sale of the Bonds. The Issuer shall provide, or cause to be provided, to the Underwriters as soon as practicable after the date of the Issuer’s acceptance of this Agreement (but, in any event, not later than within seven business days after the Issuer’s acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriters (i) in a “designated electronic format” consistent with the requirements of Rule G-32 and (ii) in a printed format in such quantity as the Representative shall reasonably request in order for the Underwriters to comply with Section (b)(4) of the Rule and the rules of the MSRB. The Issuer hereby confirms that it does not object to the distribution of the Preliminary Official Statement or the Official Statement in electronic form.

(d) If, after the date of this Agreement to and including the date the Underwriters are no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the “end of the underwriting period” for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Representative (and for the purposes of this clause provide the Representative with such information as it may from time to time request), and if, in the reasonable judgment of the Representative, such fact or event requires

preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer's own expense (in a form and manner approved by the Representative), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law; provided, however, that for all purposes of this Agreement and any representation, warranty or covenant made herein, or any certificate delivered by the Issuer in accordance herewith, the Issuer makes no representations with respect to the descriptions in the Preliminary Official Statement or the Official Statement of The Depository Trust Company, New York, New York ("DTC"), or its book-entry-only system. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement. The Issuer shall provide any such amendment or supplement, or cause any such amendment or supplement to be provided, (i) in a "designated electronic format" consistent with the requirements of Rule G-32 and (ii) in a printed format in such quantity as the Representative shall reasonably request in order for the Underwriters to comply with Section (b)(4) of the Rule and the rules of the MSRB.

(e) The Representative hereby agrees to timely file, or cause to be filed, the Official Statement (and any amendment or supplement to the Official Statement prepared in accordance with Section 3(d) above) with (i) the MSRB or its designee (including EMMA) or (ii) other repositories approved from time to time by the United States Securities and Exchange Commission (either in addition to or in lieu of the filing referred to in clause (i) above). Unless otherwise notified in writing by the Representative, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the date of the Closing.

(f) To the knowledge and belief of the Issuer, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. Except as otherwise provided in the Preliminary Official Statement and the Official Statement, during the last five years the Issuer has complied with all continuing disclosure agreements made by it in accordance with the Rule.

4. ***Representations, Warranties, and Covenants of the Issuer.*** The Issuer hereby represents and warrants to and covenants with the Underwriters that:

(a) The Issuer is a duly incorporated home rule city, created, operating and existing under the Constitution and general laws of the State of Texas (the "State") and its home rule charter. The Issuer has full legal right, power and authority under its home rule charter, and the Constitution and general laws of the State, including Chapters 1207 and 1502, Texas Government Code, as amended (the "Acts"), and at the date of the Closing will have full legal right, power and authority under the Acts and the Ordinance (i) to enter into, execute and deliver this Agreement, the Ordinance (which contains the Undertaking defined in Section 6(j)(3) hereof) and all documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, the Ordinance, and the Undertaking and the other documents referred to

in this clause are hereinafter referred to as the "Issuer Documents"), (ii) to sell, issue and deliver the Bonds to the Underwriters as provided herein, (iii) to own and operate the Water and Wastewater System (the "System"), (iv) secure the payment of the Bonds as provided in the Ordinance, and (v) to carry out and consummate the transactions described in the Issuer Documents and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all respects, with the terms of the Acts and the Issuer Documents as they pertain to such transactions.

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Ordinance and the issuance and sale of the Bonds on the terms set forth herein, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Bonds and the Issuer Documents, (iii) the approval, distribution and use of the Preliminary Official Statement and the approval, execution, distribution and use of the Official Statement for use by the Underwriters in connection with the public offering of the Bonds and (iv) the consummation by it of all other transactions described in the Official Statement, the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions described herein and in the Official Statement.

(c) This Agreement constitutes a legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, sovereign immunity of political subdivisions and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the other Issuer Documents, when duly executed and delivered, will constitute legal, valid and binding limited obligations of the Issuer payable from and secured by a lien on and pledge of the Net Revenues (as defined in the Ordinance and described in the Official Statement) of the System, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, sovereign immunity of political subdivisions and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Bonds, when issued, delivered and paid for, in accordance with the Ordinance and this Agreement, will constitute legal, valid and binding limited obligations of the Issuer entitled to the benefits of the Ordinance and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium, sovereign immunity of political subdivisions and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the issuance, authentication and delivery of the Bonds as aforesaid, the Ordinance will provide, for the benefit of the holders, from time to time, of the Bonds, the legally valid and binding pledge of and lien it purports to create as set forth in the Ordinance.

(d) The Issuer is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States relating to the issuance of the Bonds or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer or any of its property or assets is otherwise subject, and no event which would have a material and adverse effect upon the business or financial condition of the Issuer has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the

foregoing; and the execution and delivery of the Bonds and the Issuer Documents and the adoption of the Ordinance and compliance with the provisions on the Issuer's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, applicable law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer to be pledged to secure the Bonds or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Ordinance.

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the approval or adoption, as applicable, of the Issuer Documents, the issuance of the Bonds or the due performance by the Issuer of its obligations under the Issuer Documents and the Bonds, or which would have a material adverse effect of the ability of the Issuer to carry on the operation of the System, have been duly obtained, except for the approval of the Bonds by the Attorney General of the State of Texas and the registration of the Bonds by the Comptroller of Public Accounts of the State of Texas and such approvals, consents and orders as may be required under the Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Bonds.

(f) The Bonds and the Ordinance conform to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement under the captions "SECURITY FOR THE BONDS" and "DESCRIPTION OF THE BONDS"; the proceeds of the sale of the Bonds will be applied generally as described in the Preliminary Official Statement and the Official Statement under the captions "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS" and the Undertaking conforms to the description thereof contained in the Preliminary Official Statement and the Official Statement under the caption "CONTINUING DISCLOSURE OF INFORMATION."

(g) Except to the extent disclosed in the Preliminary Official Statement and the Official Statement, there is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the knowledge of the Issuer, threatened against the Issuer: (i) affecting the existence of the Issuer or the titles of its officers to their respective offices, (ii) affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of Net Revenues of the System pledged to the payment of principal of and interest on the Bonds pursuant to the Ordinance, (iii) in any way contesting or affecting the validity or enforceability of the Bonds or the Issuer Documents, (iv) contesting the exclusion from gross income of interest on the Series 2010A Bonds for federal income tax purposes or the treatment of the Series 2010B Bonds as Qualified Build America Bonds, (v) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or (vi) contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Ordinance or the execution and delivery of the Issuer Documents, nor, to the knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or

finding would materially adversely affect the validity or enforceability of the Bonds or the Issuer Documents; provided, however, that for all purposes of this Agreement, including, without limitation, for purposes subparagraphs (h), (i) and (j) below, and any certificate delivered by the Issuer in accordance herewith, the Issuer makes no representations with respect to the descriptions in the Preliminary Official Statement or the Official Statement of DTC or its book-entry-only system.

(h) The Preliminary Official Statement, as supplemented and amended through the date hereof, did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Agreement) at all times subsequent thereto during the period up to and including the twenty-fifth (25th) day subsequent to the "end of the underwriting period," the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 3 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the twenty-fifth (25th) day subsequent to the "end of the underwriting period," the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading.

(k) The Issuer has the legal authority to apply and will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Ordinance and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2010A Bonds or, prior to Closing, the treatment of the Series 2010B Bonds as Qualified Build America Bonds.

(l) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriters as the Representative may reasonably request at no expense to the Issuer, (A) to (y) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Representative may designate and (z) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Representative immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(m) The financial statements of, and other financial information regarding the Issuer, in the Preliminary Official Statement and in the Official Statement fairly present the financial position and results of the Issuer as of the dates and for the periods therein set forth. The financial statements of the Issuer have been prepared in accordance with generally accepted accounting principles consistently applied, and except as noted in the Preliminary Official Statement and in the Official Statement, the other historical financial information set forth in the Preliminary Official Statement and in the Official Statement has been presented on a basis consistent with that of the Issuer's audited financial statements included in the Preliminary Official Statement and in the Official Statement. Prior to the Closing, the Issuer will not take any action within or under its control that will cause any adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer. The Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer.

(n) Prior to the Closing, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities (except in the ordinary course of business), direct or contingent, payable from or secured by the Net Revenues of the System which will secure the Bonds without the prior approval of the Representative.

(o) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions described in this Agreement, shall be deemed a representation and warranty by the Issuer to the Underwriters as to the statements made therein.

(p) The Issuer covenants that between the date hereof and the Closing it will take no actions which will cause the representations and warranties made in this Section to be untrue as of Closing.

(q) The Issuer, to the extent heretofore requested by the Representative, has delivered to the Representative true, correct, complete, and legible copies of all information, applications, reports, or other documents of any nature whatsoever submitted to any rating agency for the purpose of obtaining a rating for the Bonds and, in each instance, true, correct, complete, and legible copies of all correspondence or other communications relating, directly or indirectly, thereto.

(r) The Issuer is taking, and prior to the date of Closing will take, all action required as of the Closing Date to designate the Series 2010B Bonds as BABs under Section 54AA(d) of the Code and as Qualified Build America Bonds under Section 54AA(g) of the Code; the Interest Subsidy Payments will be payable to the Issuer; and the Issuer covenants to comply with the applicable procedures for claiming such credit.

5. **Closing.** (1) At 10:00 a.m. Austin, Texas time, on December 16, 2010, or at such other time and date as shall have been mutually agreed upon by the Issuer and the Representative, the Issuer will, subject to the terms and conditions hereof, deliver to the Representative the initial Bonds registered in the name of the Representative, in temporary form, together with the other documents hereinafter mentioned, and will have available for immediate exchange definitive Bonds duly executed and authenticated in the form and manner described

below, and the Underwriters will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds, as set forth in Section 1 of this Agreement, in immediately available funds by federal funds wire transfer to or for the account of the Issuer (such events being referred to herein as the "Closing"). Payment for the Bonds as aforesaid shall be made at the offices of the Paying Agent/Registrar, or such other place as shall have been mutually agreed upon by the Issuer and the Underwriters.

Delivery of the Bonds in definitive form shall be made through the facilities of DTC's book-entry-only system. The definitive Bonds shall be delivered in fully registered form, bearing CUSIP numbers without coupons, with one Bond for each maturity of the Bonds and registered in the name of Cede & Co., as nominee of DTC, all as provided in the Ordinance, and shall be made available to the Representative at least one business day before the Closing for purposes of inspection. Unless otherwise agreed to by the Representative, the Bonds will be delivered under DTC's FAST delivery system.

6. **Closing Conditions.** The Underwriters have entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the accuracy of the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriters' obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Representative, unless waived in writing by the Representative on behalf of the Underwriters:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing.

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

(c) At the time of the Closing, (i) the Issuer Documents and the Bonds shall have been duly executed, delivered and authenticated, as applicable, shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall have been duly executed and delivered and shall not have been supplemented or amended, except in any such case as may have been agreed to by the Representative; and (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriters to deliver their respective opinions referred to hereafter.

(d) At the time of the Closing, all official action of the Issuer relating to the Bonds and the Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented.

(e) At or prior to the Closing, the Ordinance shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered and the Paying Agent/Registrar shall have duly authenticated the definitive Bonds.

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer, from that set forth in the Official Statement that in the reasonable judgment of the Representative, is material and adverse and that makes it, in the reasonable judgment of the Representative, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement.

(g) The Issuer shall not have been in default with respect to the timely payment of principal or interest when due on any of its outstanding obligations for borrowed money.

(h) No suit, action, investigation, or legal or administrative proceeding shall be threatened or pending before any court or governmental agency which is likely to result in the restraint, prohibition, or the obtaining of damages or other relief in connection with the issuance of the Bonds or the consummation of the transactions described herein, or which, in the reasonable opinion of the Representative, would have a materially adverse effect on the transactions described herein.

(i) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Representative, Bond Counsel and counsel to the Underwriters.

(j) At or prior to the Closing, the Representative shall have received one copy of each of the following documents:

(1) The Official Statement, and each supplement or amendment thereto, if any, in (i) a “designated electronic format” that meets the requirements of Rule G-32 and (ii) in a printed format;

(2) The Ordinance certified by the City Clerk under the Issuer’s seal as having been duly adopted by the Issuer and as being in effect, with such supplements or amendments as may have been agreed to by the Representative;

(3) The Continuing Disclosure Undertaking (the “Undertaking”) of the Issuer which satisfies the requirements of section (b)(5)(i) of the Rule, which Undertaking is included in the Nineteenth Supplement;

(4) A copy of an opinion or certificate, dated on or prior to the date of Closing, of the Attorney General of the State of Texas approving the Bonds as required by law and a copy of the registration certificate of the Comptroller of Public Accounts of the State of Texas;

(5) The approving opinions of Bond Counsel with the respect to the Bonds, in substantially the forms attached to the Official Statement;

(6) A supplemental opinion of Bond Counsel addressed to the Underwriters, substantially to the effect that:

(i) the Issuer has duly adopted and enacted the Ordinance, and the Ordinance is in full force and effect;

(ii) the Bonds are exempted securities under the Securities Act of 1933, as amended (the "1933 Act"), and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act or to qualify the Ordinance under the Trust Indenture Act; and

(iii) except to the extent noted therein, said firm has not verified and is not passing upon, and does not assume any responsibility for, the accuracy, completeness or fairness of the statements and information contained in the Preliminary Official Statement and the Official Statement but that said firm has reviewed the statements and information contained under the headings, "PLAN OF FINANCING", "SECURITY FOR THE BONDS" (except for the information under the subheading "Financial Guaranty Disclosure"), "DESCRIPTION OF THE BONDS" (except for the information under the subheading "Bondholders Remedies"), "TAX MATTERS – SERIES 2010A BONDS", "TAX MATTERS – SERIES 2010B BONDS", "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subheading "Compliance with Prior Undertakings"), "OTHER RELEVANT INFORMATION – Registration and Qualification of Bonds", "OTHER RELEVANT INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas" and "OTHER RELEVANT INFORMATION – Legal Opinions", and in "APPENDIX C", "APPENDIX D" and "APPENDIX E" and is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Ordinance;

(7) An opinion, dated the date of the Closing and addressed to the Underwriters, of counsel for the Underwriters in substantially the form set forth in Exhibit C;

(8) A certificate, dated the date of Closing, signed by the Issuer's City Manager and Chief Financial Officer to the effect that (i) the representations and warranties of the Issuer contained herein or in any certificate or document delivered by the Issuer pursuant to the provisions hereof are true and correct on and as of the date of Closing as if made on the date of Closing; (ii) except to the extent disclosed in the Preliminary Official Statement and the Official Statement, no litigation, action, suit or proceeding or tax challenge against it is pending or, to their knowledge, threatened in any court or administrative body nor, to their knowledge, is there a basis for litigation which would (a) contest the right of the members of the City Council or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid

existence of the Issuer, (c) attempt to restrain or enjoin the Issuer's operation of the System, or contest the validity, due authorization and execution of the Bonds or the Issuer Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and collecting revenues or making payments on the Bonds, pursuant to the Ordinance, and other income or the assessment or collection of the Net Revenues of the System pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof; (iii) the official actions of the Issuer authorizing the execution, delivery and/or performance of the Official Statement, the Bonds and Issuer Documents have been duly adopted by the Issuer, are in full force and effect and have not been modified, amended or repealed; (iv) to their knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the time of Closing, and the information contained in the Preliminary Official Statement, as of its date and through the date of this Agreement and the Official Statement, as of its date and as of the date of Closing, was and is correct in all material respects and, does not and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; (v) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the Issuer, and their activities contained in the Preliminary Official Statement and the Official Statement are concerned, such statements and data have been obtained from sources which the Issuer believes to be reliable and the Issuer has no reason to believe that they are untrue in any material respect; and (vi) there has not been any materially adverse change in the financial condition of the Issuer since September 30, 2009, the latest date as of which audited financial information is available;

(9) A certificate of the Issuer in form and substance satisfactory to Bond Counsel and counsel to the Underwriters setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Series 2010A Bonds will be used in a manner that would cause the Series 2010A Bonds to be "arbitrage bonds" or "private activity bonds" within the meaning of Sections 148 and 141, respectively, of the Code, and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code;

(10) Evidence in a form acceptable to the Representative that Standard & Poor's, a Standard & Poor's Financial Services LLC business, Moody's Investors Service and Fitch Ratings, Inc. have assigned ratings of "AA", "Aa2", and "AA-", respectively, to the Bonds, and that all such ratings are in effect as of the date of Closing; and

(11) Such additional legal opinions, certificates, instruments and other documents as the Representative, Bond Counsel or counsel to the Underwriters may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Issuer's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due

performance or satisfaction by the Issuer on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance reasonably satisfactory to the Underwriters.

The Representative acknowledges, on behalf of the Underwriters, that it has received a copy of the Nineteenth Supplement, and has reviewed the Undertaking set forth therein.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriters nor the Issuer shall be under any further obligation hereunder, except that the obligation of the Issuer to return the amount wired by the Representative to the Issuer on the date of execution of this Agreement to the Representative as described in Section 1 and the respective obligations of the Issuer and the Underwriters set forth in Sections 4, 8 and 10 hereof shall continue in full force and effect.

7. **Termination.** The Representative shall have the right to terminate the Underwriters' obligation under this Agreement (as evidenced by a written notice to the Issuer terminating the obligation of the Underwriters to accept delivery of and pay for the Bonds) to purchase, to accept delivery of and to pay for the Bonds if, after the execution hereof and prior to the Closing, the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds shall be materially adversely affected in the reasonable judgment of the Representative by the occurrence of any of the following:

(a) Legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Series 2010A Bonds, or the interest on the Series 2010A Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein, including but not limited to, the status of the Series 2010B Bonds as BABs or as Qualified Build America Bonds.

(b) Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling,

regulation (final, temporary, or proposed), press release, no-action letter, or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Federal Securities laws, including the 1933 Act, or that the Ordinance or any document relating to the issuance, offering or sale of the Bonds, is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of any federal securities laws, including the 1933 Act, the Securities Exchange Act of 1934 and the Trust Indenture Act, as amended and then in effect.

(c) Any state blue sky or securities commission or other governmental agency or body in a state in which fifteen percent (15%) or more of the Bonds have been sold shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto, provided that such withholding or stop order is not due to the malfeasance, misfeasance or nonfeasance of the Underwriters.

(d) A general suspension of trading in securities on the New York Stock Exchange, the American Stock Exchange or any other major exchange, the establishment of minimum or maximum prices on any such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so.

(e) The New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters.

(f) Any amendment to the federal or Texas Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property, income, securities (or interest thereon), or the validity or enforceability of the rates and charges for the System or the collection of Net Revenues of the System to pay the Issuer's obligations secured by and payable from the Net Revenues of the System (including to pay principal of and interest on the Bonds).

(g) Any event occurring, or information becoming known which, in the reasonable judgment of the Representative, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) There shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the Issuer, except for changes which the Official Statement discloses are expected to occur.

(i) There shall have occurred any (i) new material outbreak of hostilities (including, without limitation, an act of terrorism) or (ii) new material other national or international calamity or crisis, or any material adverse change in the financial, political or economic conditions affecting the United States, including, but not limited to, an escalation of hostilities that existed prior to the date hereof and the effect of any such event on the financial markets of the United States, shall be such as would make it impracticable, in the reasonable judgment of the Representative, for the Underwriters to sell the Bonds on the terms and in the manner contemplated by the Official Statement.

(j) Any fact or event shall exist or have existed that, in the Representative's reasonable judgment, requires or has required an amendment of or supplement to the Official Statement.

(k) There shall have occurred any downgrading or published negative credit watch or similar published information from a rating agency that at the date of this Agreement has published a rating (or has been asked to furnish a rating on the Bonds) on any of the Issuer's debt obligations that are secured in a like manner as the Bonds, which action reflects a downgrade or possible downgrade, in the ratings accorded any such obligations of the Issuer (including any rating to be accorded the Bonds).

(l) The purchase of and payment for the Bonds by the Underwriters, or the resale of the Bonds by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission and such prohibition shall occur subsequent to the date hereof, and is not the result of the malfeasance, misfeasance or nonfeasance of the Underwriters'.

With respect to the condition described in subparagraph (l) above, the Representative is not aware of any current, pending or proposed law or government inquiry or investigation as of the date of execution of this Agreement which would permit the Underwriters to invoke their termination rights hereunder.

8. **Expenses.** (a) The Underwriters shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Bonds; (ii) the fees and disbursements of Bond Counsel and the Financial Advisor to the Issuer; (iii) the fees and disbursements of any other engineers, attorneys, accountants, and other experts, consultants or advisers retained by the Issuer; (iv) the fees for bond ratings; (v) the costs of preparing, printing and mailing the Preliminary Official Statement and the Official Statement; (vi) the fees and expenses of the Paying Agent/Registrar; (vii) advertising expenses (except any advertising expenses of the Underwriters as set forth below); (viii) the out-of-pocket, miscellaneous and closing expenses, including the cost of travel, of the officers and trustees of the Issuer; and (ix) any other expenses mutually agreed to by the Issuer and the Representative to be reasonably considered expenses of the Issuer which are incident to the transactions contemplated hereby.

(b) The Underwriters shall pay (i) the cost of preparation and printing of this Agreement and the Blue Sky Survey and Legal Investment Memorandum, if any; (ii) all advertising expenses in connection with the public offering of the Bonds; and (iii) all other expenses incurred by them in connection with the public offering of the Bonds, including the fees and disbursements of counsel retained by the Underwriters.

9. **Notices.** Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to the City of Austin, Texas, 700 Lavaca, Suite 1510, Austin, Texas 78701, Attention: Chief Financial Officer, and any notice or other communication to be given to the Underwriters under this Agreement may be given by delivering the same in writing to Barclays Capital Inc., 745 7th Avenue, 19 Floor, New York, NY 10019, Attention: Mr. John Daniel.

10. **Parties in Interest.** This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriters (including successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Issuer. All of the Issuer's representations and warranties contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriters; (ii) delivery of and payment for the Bonds pursuant to this Agreement; and (iii) any termination of this Agreement.

11. **Effectiveness.** This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

12. **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

13. **Severability.** If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision or provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

14. **Business Day.** For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

15. **Section Headings.** Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

16. **Counterparts.** This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

17. ***No Personal Liability.*** None of the members of the City Council, nor any officer, agent, or employee of the Issuer, shall be charged personally by the Underwriters with any liability, or be held liable to the Underwriters under any term or provision of this Agreement, or because of execution or attempted executing, or because of any breach or attempted or alleged breach, of the Agreement.

[Execution page follows]

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Representative. This Agreement shall become a binding agreement between you and the Underwriters when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

BARCLAYS CAPITAL INC.,
as Representative for the Underwriters
Identified on Schedule I

By: _____
Authorized Officer

APPROVED AND ACCEPTED at _____ o'clock a.m./p.m. as of the date hereof:

CITY OF AUSTIN, TEXAS

By: _____

Title: _____

SCHEDULE I

UNDERWRITERS

Barclays Capital Inc.
Bank of America Merrill Lynch
First Southwest Company
RBC Capital Markets
Goldman, Sachs & Co.
Ramirez & Co.
JP Morgan Securities LLC
Estrada Hinojosa & Co. Inc.

SCHEDULE II

\$76,855,000

CITY OF AUSTIN, TEXAS

(Travis, Williamson and Hays Counties, Texas)

Water and Wastewater System Revenue Refunding Bonds

Series 2010A

Series 2010A Serial Bonds

Stated Maturity (11/15)	Principal Amount	Interest Rate	Initial Yield
2013	\$1,320,000	4.000%	1.200%
2014	1,375,000	4.000%	1.600%
2015	1,430,000	4.000%	1.940%
2016	1,495,000	5.000%	2.300%
2017	1,570,000	5.000%	2.640%
2018	1,655,000	5.000%	3.030%
2019	1,740,000	5.000%	3.310%
2020	1,825,000	5.000%	3.550%
2021	1,920,000	5.000%	3.790%
2022	2,020,000	5.000%	3.980%
2023	2,125,000	5.000%	4.140%
2024	2,230,000	5.000%	4.260%
2025	2,345,000	5.000%	4.380%
2026	2,465,000	5.000%	4.490%
2027	2,590,000	5.000%	4.580%
2028	2,725,000	5.000%	4.670%
2029	2,865,000	5.000%	4.750%
2030	3,010,000	5.000%	4.830%

Series 2010A Term Bonds

\$17,545,000, 5.000% Term Bond due November 15, 2035, Yield 5.230%

\$22,605,000 5.125% Term Bond due November 15, 2040, Yield 5.310%

\$100,970,000
CITY OF AUSTIN, TEXAS
(Travis, Williamson and Hays Counties, Texas)
Water and Wastewater System Revenue Refunding Bonds
Taxable Series 2010B
(Direct Subsidy-Build America Bonds)

Series 2010B Serial Bonds

<u>Stated Maturity (11/15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Yield</u>
2015	\$2,560,000	2.494%	2.494%
2016	2,605,000	2.911%	2.911%
2017	2,660,000	3.361%	3.361%
2018	2,720,000	3.899%	3.899%
2019	2,795,000	4.099%	4.099%
2020	2,870,000	4.249%	4.249%
2021	2,955,000	4.449%	4.449%
2022	3,040,000	4.649%	4.649%
2023	3,135,000	4.849%	4.849%
2024	3,240,000	5.049%	5.049%
2025	3,350,000	5.249%	5.249%

Series 2010B Term Bonds

\$18,740,000, 5.768% Term Bond due November 15, 2030, Yield 5.768%

\$50,300,000 6.018% Term Bond due November 15, 2040, Yield 6.018%

EXHIBIT A

Form of Issue Price Certificate (Series 2010A Bonds)

The undersigned hereby certifies as follows with respect to the sale and delivery of \$76,855,000 City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2010A (the “Series 2010A Bonds”):

1. The undersigned is the senior manager of a group that purchased the Series 2010A Bonds from the City of Austin, Texas (the “Issuer”) by negotiated sale.

2. The undersigned and/or one or more members of the underwriting syndicate, if any, has made a bona fide offering of all of the Series 2010A Bonds of each maturity to the public at the initial offering prices set forth in the Issuer’s Official Statement with respect to the Series 2010A Bonds, dated November 18, 2010 (the “Official Statement”).

3. The initial offering price (expressed as a dollar amount, yield percentage, or percentage of principal amount and exclusive of accrued interest) at which a substantial amount (at least 10%) of the Series 2010A Bonds of each maturity was sold to the public (as defined in paragraph 4) is as set forth on the page ii of the Official Statement.

4. The term “public”, as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers.

5. The undersigned believes that the offering prices of the Series 2010A Bonds, as set forth on page ii of the Official Statement, constituted fair market prices for the Series 2010A Bonds as of the sale date, based on then prevailing market conditions.

6. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986 on the exclusion of interest on the Series 2010A Bonds from the gross income of their owners.

[Execution page follows]

EXECUTED as of this _____ day of _____, 2010.

[REPRESENTATIVE]

By: _____

Title: _____

EXHIBIT B

Form of Issue Price Certificate (Series 2010B Bonds)

The undersigned hereby certifies as follows with respect to the sale and delivery of \$100,970,000 City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy-Build America Bonds) (the "Series 2010B Bonds"):

1. The undersigned is the senior manager of a group that purchased the Series 2010B Bonds from the City of Austin, Texas (the "Issuer") by negotiated sale.
2. The undersigned and/or one or more members of the underwriting syndicate, if any, has made a bona fide offering of all of the Series 2010B Bonds of each maturity to the public at the initial offering prices set forth in the Issuer's Official Statement with respect to the Series 2010B Bonds, dated November 18, 2010 (the "Official Statement").
3. The initial offering price (expressed as a dollar amount, yield percentage, or percentage of principal amount and exclusive of accrued interest) at which a substantial amount (at least 10%) of the Series 2010B Bonds of each maturity was sold to the public (as defined in paragraph 4) is as set forth on the page ii of the Official Statement.
4. The term "public", as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers.
5. The undersigned believes that the offering prices of the Series 2010B Bonds, as set forth on page ii of the Official Statement, constituted fair market prices for the Series 2010B Bonds as of the sale date, based on then prevailing market conditions.
6. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, and by Bond Counsel in rendering their legal opinion concerning the qualification of the Series 2010B Bonds as build America bonds and qualified bonds.

[Execution page follows]

EXECUTED as of this _____ day of _____, 2010.

[REPRESENTATIVE]

By: _____

Title: _____

EXHIBIT C

December 16, 2010

Barclays Capital Inc.
Bank of America Merrill Lynch
First Southwest Company
RBC Capital Markets
Goldman, Sachs & Co.
Ramirez & Co.
JP Morgan Securities LLC
Estrada Hinojosa & Co. Inc.
c/o Barclays Capital Inc.
1301 McKinney, Suite 400
Houston, Texas 77010

Re: City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2010A (the "Series 2010A Bonds") and City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy-Build America Bonds) (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "Bonds")

Ladies and Gentlemen:

We have acted as counsel to you as Underwriters of \$76,855,000 aggregate principal amount of the captioned Series 2010A Bonds and \$100,970,000 aggregate principal amount of the captioned 2010B Bonds issued by the City of Austin, Texas (the "Issuer"), pursuant to the provisions of a master ordinance adopted by the City Council of the Issuer on June 8, 2000 (the "Master Ordinance") and a Nineteenth Supplemental Ordinance adopted by the City Council of the Issuer on November 18, 2010 (together with the Master Ordinance, the "Ordinance"). The Underwriters are purchasing the Bonds pursuant to the Bond Purchase Agreement (the "Bond Purchase Agreement") with respect thereto, dated November 18, 2010. Unless otherwise expressly provided herein, capitalized terms used in this opinion shall have the meanings ascribed to them in the Bond Purchase Agreement.

As your counsel, we have examined executed copies of the Ordinance, the Bond Purchase Agreement, the Preliminary Official Statement of the Issuer, dated October 28, 2010 (the "Preliminary Official Statement"), the Official Statement of the Issuer, dated November 12, 2010 (the "Official Statement") and the certificates and opinions referred to in Paragraph 6(j) of the Bond Purchase Agreement. In addition, we have examined the originals or copies, certified or otherwise identified to our satisfaction, of such records of the Issuer, agreements and other

instruments, certificates of public officials and representatives of the Issuer, and such other documents as we have deemed necessary or advisable as a basis for the opinions hereinafter expressed.

Based on the foregoing and in reliance on the matters described below, we are of the opinion that the Bonds are exempted securities under the Securities Act of 1933, as amended (the "1933 Act") and the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") and it is not necessary, in connection with the offering and sale of the Bonds, to register the Bonds under the 1933 Act or to qualify the Ordinance under the Trust Indenture Act.

Because the primary purpose of our professional engagement was not to establish factual matters and because of the wholly or partially non-legal character of many determinations involved in the preparation of the Preliminary Official Statement and the Official Statement, we are not passing upon and do not assume any responsibility for the accuracy, completeness, or fairness of the statements contained in the Preliminary Official Statement or the Official Statement, and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. At your request, we have participated as your counsel in conferences with representatives of the Issuer, the bond counsel to the Issuer, the financial advisors to the Issuer and your representatives, at which conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences and in reliance thereon and on the certificates, opinions and other documents herein mentioned, we advise you that no facts have come to our attention that lead us to believe that the Preliminary Official Statement as of its date and as of the date of pricing, or the Official Statement as of its date and as of the date of Closing contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except as to any financial, forecast, technical and statistical statements and data included in the Preliminary Official Statement, the Official Statement and the information regarding DTC and its book-entry system, in each case, as to which we are not called upon to express any opinion or belief).

The opinions expressed herein are expressed only insofar as the laws of the State of Texas and the United States of America may be applicable. This opinion may be relied upon only by the addressees hereof and may not be used or relied upon by any other person for any purpose whatsoever without, in each instance, our prior written consent.

Very truly yours,